Investing in a Digital Marketplace for the Brick and Mortar Retail Business

João Pedro Gonçalves Ferreira

Student Number: 1784155

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EXECUTIVE SUMMARY

Bethenga is a “isiZulu” word that means shopping. **Bethenga** is the name of the business venture that connects retailers with consumers, for the simple purpose of enabling a new shopping experience for consumers to digitally engage with traditional retailers, in neighbourhoods, retail parks and shopping malls. **Bethenga** will allow retailers to protect and grow their market share, with the idea that face to face interactions will continue to take place between people, but with the growth of the digital interchange in consumer’s lives, will require this experience to be enhanced and modernised.

Bethenga will provide a platform service for retailers to advertise and sell and engage with their customers. The platform will be launched in South Africa, in Johannesburg, initially, leading to a rapid expansion to the rest of the country.

This business venture was defined with trends in South Africa, and globally in mind, and was tested via a survey performed with retailers and consumers on the validity of the gap that **Bethenga** will operate in, and to allow for the definition of critical features the platform must have from the launch. The platform will allow retailers to compete with the online shopping providers in South Africa (Takealot, among others) and with a global footprint (for example, Amazon).

The business will be launched with a lean start-up concept, to quickly add value to the market and develop in terms of features and geographic reach, when the foundation is in place.

The financial projections of **Bethenga** indicate the business will start generating earnings from Year 2 and the main investment expenditure in Year 1 to be recouped by Year 3. The business is expected to generate around ZAR4,2M in Sales in the third year.

Bethenga will own the intellectual property (IP) of the platform and will partner with numerous companies to perform non-core activities, such as advertising, logistics and payment gateways.

The platform will be initially available with four subscription packages:

- Online Retailer
- Connected Retailer
- Retailer Plus
- Best Retailer

For each subscription package there are specific features available, each with an incremental subscription price per offering. Consumers will register for free in the platform.

The customers of **Bethenga** are two-fold: retailers and consumers.

The retailers are the direct customers of the **Bethenga** platform. They are the ones that are linked to the different revenue streams the platform will generate. There is no limitation and any type of retailer can join the platform, and as much diversity will be encouraged to enable a higher product assortment for the consumer.

The consumers are the indirect customers that will use the platform without having to pay a subscription. That directly will contribute to the revenue stream, linked to order value, sold by the retailers, for which a commission fee will be paid to **Bethenga**, based on the different subscription package the retailers will be subscribed to. The consumers will be the internet aware users within the major cities of South Africa, i.e. Johannesburg, Cape Town and Durban.

Bethenga is an African start-up that has the objective to contribute to the growth of the South African Gross Domestic Product (GDP), by allowing smaller and other retailers to be digitally enabled to compete in a growing global economy.

DECLARATION

I, João Pedro Gonçalves Ferreira, declare that this business venture proposal is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the Graduate School of Business Administration, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

João Pedro Gonçalves Ferreira

Signed at Johannesburg

On the 31st day of January 2019

DEDICATION

To Irem. Your support valued 95% of the effort I had to put in.

To Kayla and Kyara. Every hour invested in this research was spent having your future in mind.

To mom and dad. This MBA is for you for all the effort you did in the past giving me the chance to study to form the foundation of my career.

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SUPPLEMENTARY INFORMATION

Supervisor: Mr Tobi Oluwasona

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Supplementary files:

- Questionnaires (Appendix A)
- Plagiarism Declaration (Appendix B)

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1.1 Purpose of the business venture

The business venture is a platform that connects consumers to brick and mortar retailers through an electronic marketplace.

The marketplace platform will allow retailers to launch their branded store, sell products, launch promotions by targeting consumers with real time marketing incentives based on consumer data insights and artificial intelligence. This marketplace will be the platform where retailers will advertise and influence buying patterns to attract more consumers to their stores or to sell directly through the platform. The platform will allow for hybrid inventory management between brick and mortar and online stocks.

At the other end, the marketplace platform will allow consumers to create an individual profile, search for products and deals available across several different retailers across different geographies, purchase products online, reserve products in store, chat to the store client service representative about a specific product(s). Consumers will take control of the shopping experience using a mobile application integrated to payment gateways, maps and logistics partners for deliveries.

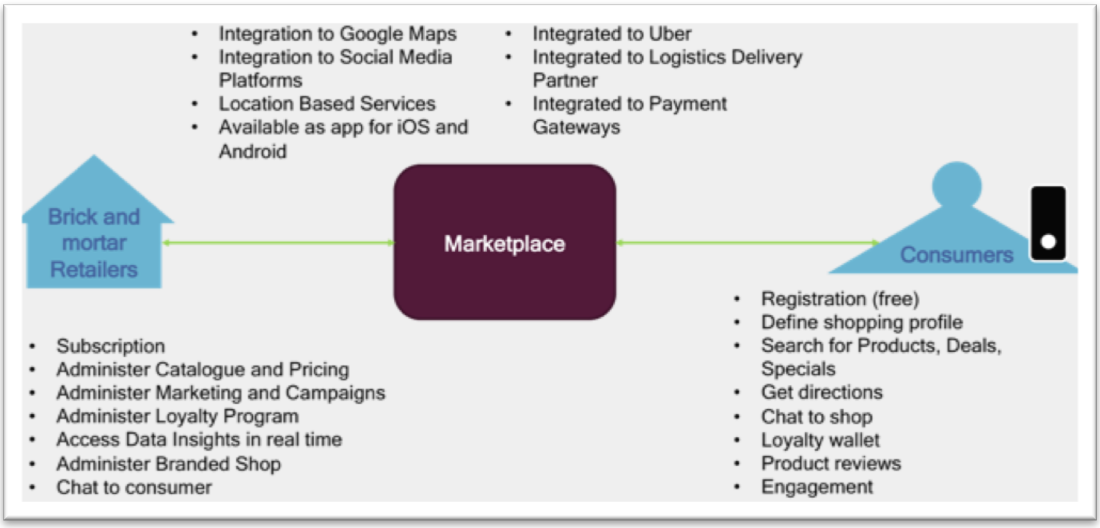


Figure 1 - Key features of the marketplace for retailers and consumers

1.2 Context of the business venture

The business venture will operate in South Africa where the retail sector has had a decline trend over the last 10 years, according to statistical data provided by Statistics South Africa and shown in the graph below.

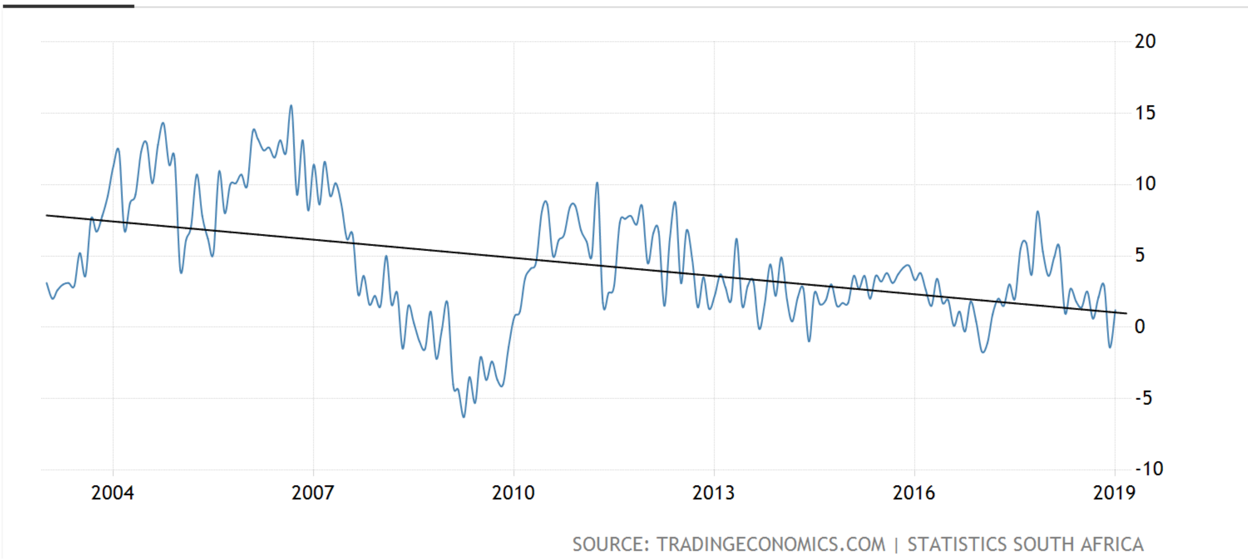


Figure 2 - South Africa Retail Sales YoY ((Africa, 2019))

Even though the sales have been on a decline there is a considerable increase in the consumer spending of the last 50 years, which clearly indicates that retail can increase their share of wallet in terms of the spending consumers do in their sector.

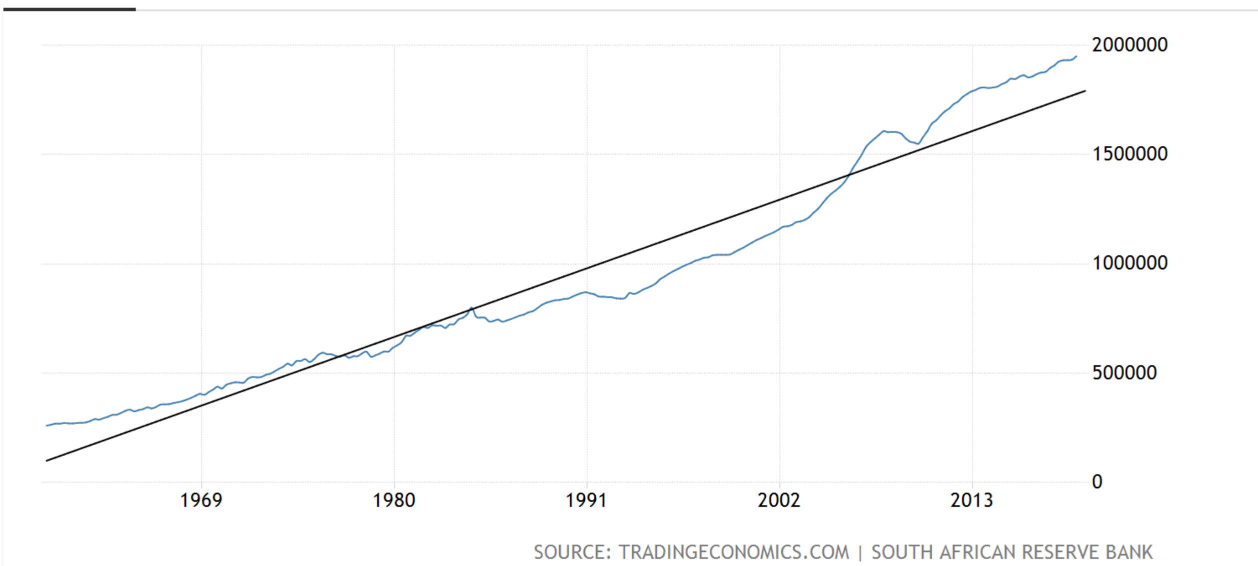


Figure 3 - South African Consumer Spending (values in ZAR Million; (Bank, 2019))

In order to put into context what the marketplace is and how it will achieve success, the Temple Framework (Table 1) is used (Brunn, Jensen, & Skovgaard, 2002). This framework allows to build up the required pillars from ground up in the key constituents that compose a marketplace with focus on building liquidity and capturing value with the final intent of implementing a successful marketplace.

The objective	Marketplace success - Provide an unique platform for brick and mortar retailers to improve their bottom line.	
The challenge	Building liquidity	To scale up the marketplace of two-sided markets, it is important to have an equilibrium between the number of agents (retailers and consumers) in the ecosystem. In addition, it is important to have an optimal number of transactions generated by the consumers that would justify retailers maintaining their position in the platform as well as attract new retailers.
	Capturing value	The marketplace must capture value from the transactions that will be generated by the consumers and retailers. It is thus critical to establish the correct pricing model for the marketplace to operate and generate value to the investors.
The setup	Focus	In an initial phase these are the retailer segments that will be targeted to join the marketplace: • Clothing, footwear, cosmetics and stationery • Appliances, electronics and sporting goods • Bookstores, music instruments and gift shops. The product variety defined above will determine the consumer segment that will be targeted to join the platform.
	Governance	The marketplace will exert low control over the retailers to allow for a competitive platform with potential price benefits to the consumers.
	Functionality	The platform will have functionalities in the following areas: commerce, content and collaboration.
	Technology	The platform will be implemented with open standards to allow for easy integration to 3rd party systems and run on an open source technology.
	Partnerships	There will be a need for a number of partnership in the payments, logistics, location, content and retail associations.

Table 1 - Marketplace described using Temple Framework (Brunn et al., 2002)

This business venture addresses the issue related to the fact that brick and mortar retailers need to stay relevant in the South African economy with the continued increase in electronic commerce (Deloitte, 2019).

But what type of platform is this marketplace? Based on (Täuscher & Laudien, 2017) there are key attributes that allow the classification of the type of platform in terms of value creation, value delivery and value capture. Using this business model classification, the map presented (Table 2) describes this marketplace segmentation in terms of three dimensions: value creation, value delivery and value capture. Value creation refers to aspects that will influence the value proposition of such marketplace or platform. Value delivery focus on items that address value to a consumer segment. Value capture directly relates to how the firm will generate profits from the value conveyed to customers.

	Business Model attributes	Specifications				
Value creation dimension	Platform type	Web-based platform	Mobile app			
	Key activity	Data services	Community building	Content creation		
	Price discovery	Fixe prices	Set by sellers	Set by buyers	Auction Auction	Negotiation
	Review system	User reviews	Review by marketplace	None		
Value delivery dimension	Key value proposition	Price/Cost/Efficiency	Emotional value	Social value		
	Transaction type	Digital	Offline			
	Industry scope	Vertical	Horizontal			
	Marketplace participants	C2C	B2C	B2B		
	Geographic scope	Global	Regional	Local		
Value capture dimension	Key revenue stream	Commissions	Subscriptions	Advertising Service Sales	Service Sales	
	Pricing mechanism	Fixed pricing	Market pricing	Differentiated pricing		
	Price discrimination	Feature based	Location based	Quantity based	None/other	
	Revenue source	Seller	Buyer	Third party	None/other	

Table 2 - Marketplace's Value creation, Value delivery and Value capture map

1.3 Problem statement of the business venture

This business venture has several risks or uncertainties, which were identified during the creation phase, that require mitigation actions or identification of opportunities to address these. In this report the risks directly related to the business are analysed, and solutions are proposed based on existing literature (academic and non-academic) and on numerous management theories derived from key wisdom obtained during the Master of Business Administration (MBA) at Wits Business School (WBS). The uncertainties not directly related to the business venture are not analysed, but an opinion or recommendation can be obtained from an external consulting firm.

- Risks directly related to the business venture
  - Financial Risks
    - Will the marketplace service be priced correctly for brick and mortar retailers?
    - Based on the pricing and demand assumptions, what is the level of confidence in the projected revenue and contribution margin?
  - Competition Risks
    - What are the entry barriers for other players in this space?
    - What is the risk of internal competition, between brick and mortar retailers, within the marketplace?
  - Implementation Risks
    - What is the minimum product assortment required to generate interest in the consumers?

        - What is the minimum viable service required to launch the marketplace?
        - What is the minimum geographical coverage required to launch the marketplace?

- Uncertainties external to the business venture
    - Economic and Political Context in South Africa
        - Are there conditions to launch the business in the current economic and political situation?
    - Legislative and Policy Risks
        - Is the marketplace constrained by privacy issues for consumers under the existing POPI Act?

1.4 Significance of the business venture

The business venture will allow brick and mortar retailers to protect and eventually enhance their market share in the South African retail industry. This will positively influence the following aspects:

- Economic
    - Protection and creation of employment
    - Protection and enhanced position of the traditional retail to compete with external commerce platforms
    - Creation of a new segment of retail entrepreneurs that may not require operating from a physical location
- Social
    - Human relationships between consumers and retailers
    - Continuity of neighbourhood shops
    - Reduction of traffic to main shopping areas

1.5 Delimitations and limitations of the business venture

The business venture will initially be launched in South Africa, in the Gauteng province for retailers that have businesses in the Northern Suburbs of Johannesburg. These facts relate to the market study that will be performed during the project implementation that will focus only on certain neighbourhoods of the abovementioned suburbs.

The marketplace will be launched to retailers in these suburbs that are in the following segments:

- Clothing, footwear, cosmetics and stationery
- Appliances, electronics and sporting goods
- Bookstores, music instruments and gift shops.

The marketplace will be launched on a mobile platform only.

1.6 Assumptions

The business venture will be defined and launched based on the following assumptions:

- The increase in electronic commerce is a reality.
- Traditional brick and mortar retailers will exist for at least another 10 years.
- Consumer's shopping experience will still require interaction with humans and in specific locations called brick and mortar shops.
- The cost to advertise and launch an electronic commerce presence for each shop owner is not currently viable without losing brand identity.

CHAPTER 2: COMPANY DESCRIPTION

2. 1 Company mission statement

Bethenga is a platform that creates a reciprocal connection between consumers to retailers, with a digital, easy and engaging experience. No matter the consumer's location, shopping will be redefined. Retailers will be able to reach their consumers with individual offers at the right moment, tailored prices and within the right context.

The mission of **Bethenga** is to provide a service that will connect sellers and buyers with a hybrid shopping experience, from online to store, from around the corner to store and from the store to the world.

2. 2 Company philosophy and vision

Bethenga is a company born in Africa for Africans. **Bethenga** will be ruled by the values of transparency, integrity, innovation and equal opportunity.

The vision of **Bethenga** is to be the platform of preference for all South Africans to interact with local businesses and be a pillar of growth for the South African economy, by providing everyone with an opportunity to run their business online and any consumer to reach any business in South Africa from their mobile phone, no matter where the business is located.

2. 3 Company Goals

The ambition of **Bethenga** is to reach the entire South African market in twenty-four months and evaluate the global commercial scenario at month eighteen. The goals can be described in the figure below, in terms of the key milestones and achievements and of the geographic expansion potential. In line with the geographic expansion there are also clear goals in terms of retailers and consumers registered in the platform and revenue aspirations.

	6 months	12 months	18 months	24 months
Key Milestones	Rosebank, Parktown North, Parkhurst, Craighall Park and Linden	Pretoria Rest of Johannesburg	Cape Town	Global Markets
Key Achievements	All Northern Suburbs	All Gauteng	All Western Cape	All KwaZulu-Natal

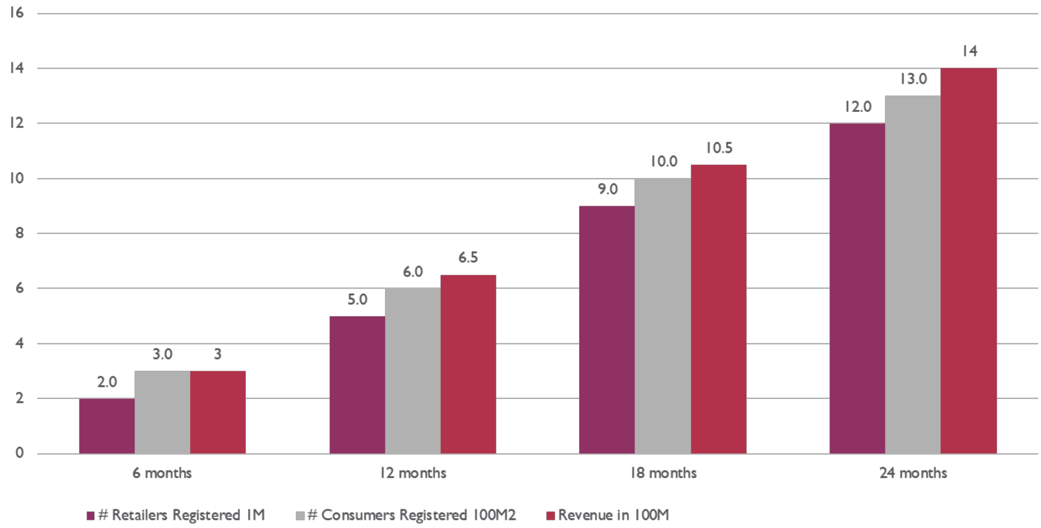


Table 3 - The Goals of Bethenga

2. 4 Industry and Target market

Bethenga will operate within the retail industry, as another channel of sales and marketing for existing retailers, as classified in the above section. Thus, **Bethenga** is highly dependent on how the retail industry is operating, and most importantly the outlook for the next few years in terms of growth and trends. Further sections on market research, in this proposal, will qualify the state of the retail industry in South Africa.

Bethenga is targeted at retailers that run stores with a limited capability to define and run a strong online presence. This will mean retailers in the following divisions:

Type of retailer	**Target market?**
General dealers	

Food, beverages and tobacco in specialised stores	
Pharmaceuticals and medical goods, cosmetics and toiletries	
Textiles, clothing, footwear and leather goods	
Household furniture, appliances and equipment	
Hardware, paint and glass	
All other retailers	

Table 4 - Target market for retail types

The platform will also require consumers to register and use the service, even though they will not be a direct **Bethenga** customer, they will be a crucial target to consider as it will drive revenue from the retailers, by making purchases from them.

2. 5 Legal structure

Bethenga will be registered as a private company in South Africa. This decision is based on the following factors:

- Number of owners - allow for multiple business owners.
- Tax - taxed at a flat rate of 28% on dividends declared.
- Financing - more flexibility to raise capital with the possibility to issue shares.
- Liabilities - separation between company owned assets and personal ownership.

CHAPTER 3: MARKETING PLAN

This section provides details on the industry **Bethenga** will operate within, the competitive landscape, the target market and how the service will be introduced to the market.

3.1 Market Research

There were numerous factors that led to the idea of this service that justifies its introduction to the market to cover a specific gap. The elements that contributed to the idea are summarised in the below figure and described in more detail in this section. This is secondary research with information gathered from several various sources.

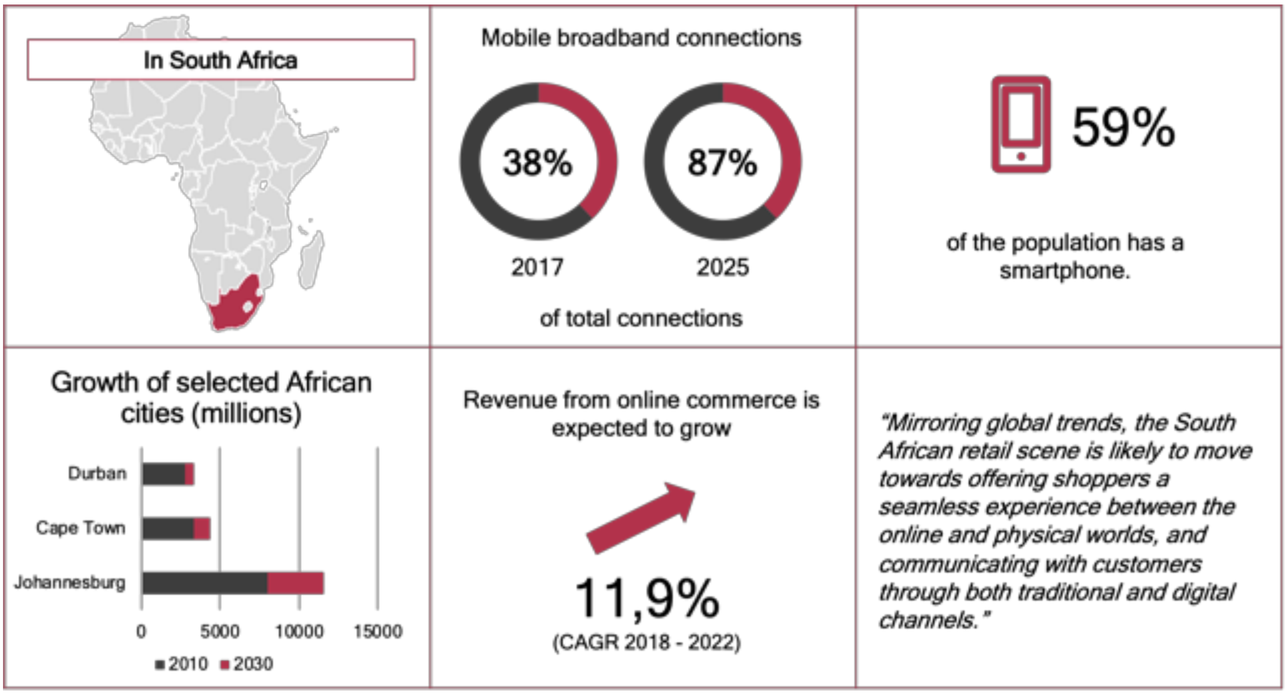


Figure 4 - Infographic on key market drivers for South Africa.

The information presented in the above figure, summarises key facts and predictions that shape the future of digital commerce and the population that will be the target of such markets, with key digital trends having an influence on how these behaviours can be sustained going forward.

There is an urban trend and the growth of the number of people living in the major metropolis centres in South Africa like Johannesburg, Cape Town and Durban. Adding to this growth the penetration of mobile smartphones and internet connectivity allows for the increase in usage of these platforms. In addition, the global trends highlighted the engagement experience that consumers will expect to have between the traditional stores and digital channels. The trend is for online commerce to increase in value over the next few years and the increasing importance that smaller retailers will have in participating in the share of the growth and not be overtaken by the big retailers in South Africa and the competition of the world’s online commerce leaders i.e. Amazon and eBay, among others.

The combination of these factors needs to take into consideration the potential of the retail industry in South Africa and how much of the share in the online commerce can be captivated by **Bethenga**.

There is also an analysis based on the primary research with data collected from retailers and consumers via surveys. This are the findings from this research.

Analysis of the results of the research on the platform.

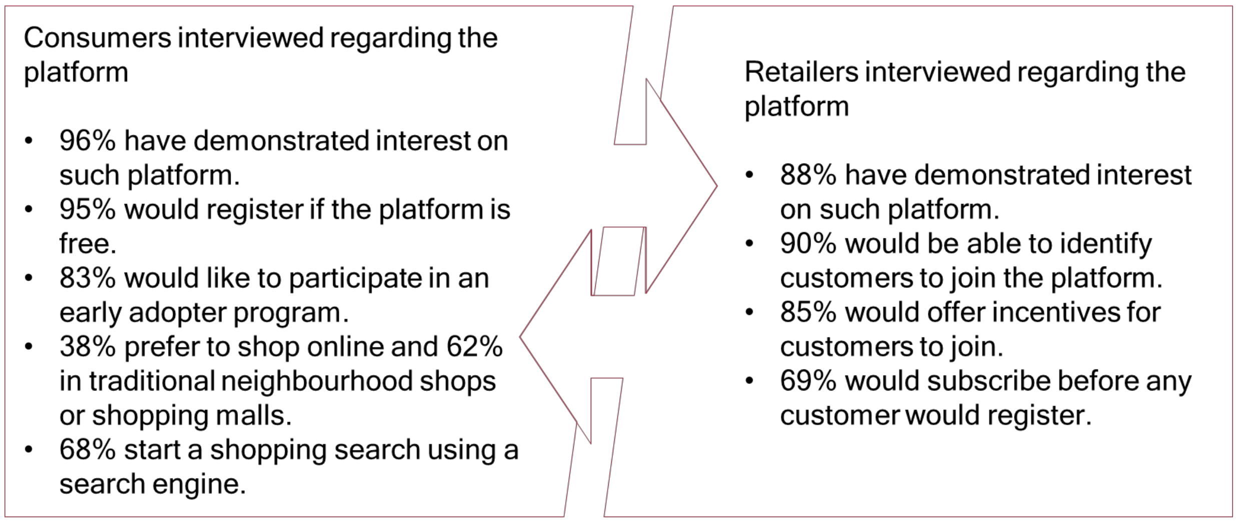


Figure 5 - Survey Results Analysis

Analysis of the results of the research on the pricing of the platform based on retailers interviewed:

- 89% would enjoy a grace period in the subscription.
- Subscription type: the respondents divided opinions with 54% preferring a subscription-based fee while 46% a transaction-based fee.
- On the subscription-based fee 60% would prefer to pay R199 per month.
- On the transaction-based fee 63% would prefer paying R9 per transaction.

Analysis of the results of the research on the features of the platform, based on retailers and consumers interviewed:

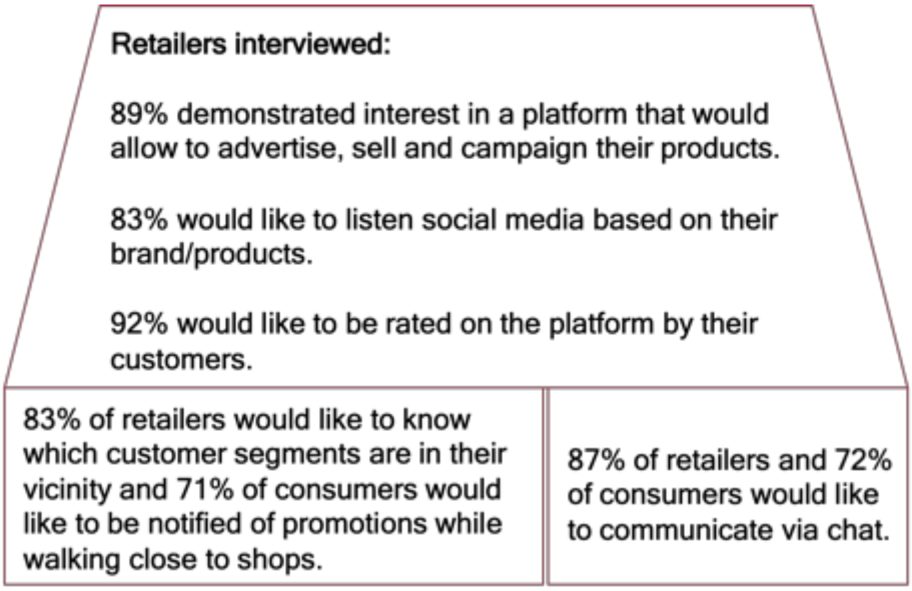


Figure 6 - Survey Results Analysis

In summary

- Revenue in online commerce is increasing.
- The online presence in South Africa is growing.
- Expansion of the major metropolis centres.
- The usage of mobile phone has increased.
- At a lower rate than mobile penetration, the cost of data is reducing which leads to an increase in the smart phone sales and usage in South Africa.
- Retail businesses employ a considerable percentage of the active workforce in South Africa.
- Smaller retailers currently do not have a platform where they can advertise their products and compete outside the constraint of their physical premises.
- Consumers are more internet aware when it comes to an online engagement.
- Both retailers and consumers have demonstrated interest in such platform.
- Key features have been identified, for which retailers and consumers have confirmed the interest.

3.2 Competitive analysis

Bethenga will operate in a market with existing competition or similar providers of the service **Bethenga** aims to provide to its customers. Those can be at this point classified as the online stores, either global, local or owned by specific brands. These will present barriers to entry and there is a need to define mitigation plans or clear actions to counterattack the possible negative effects on the launch, growth and sustainability of the business.

The figure below presents the analysis, performed using Michael Porter's Five Forces model, on key aspects, that based on the framework, allow to understand the competitiveness and attractiveness of the market in which the start-up will operate. The analysis focuses on five sets of forces:

- Bargaining power of suppliers
- Bargaining power of customers
- Threats of entry
- Threats of substitutes
- Rivalry amongst existing competitors.

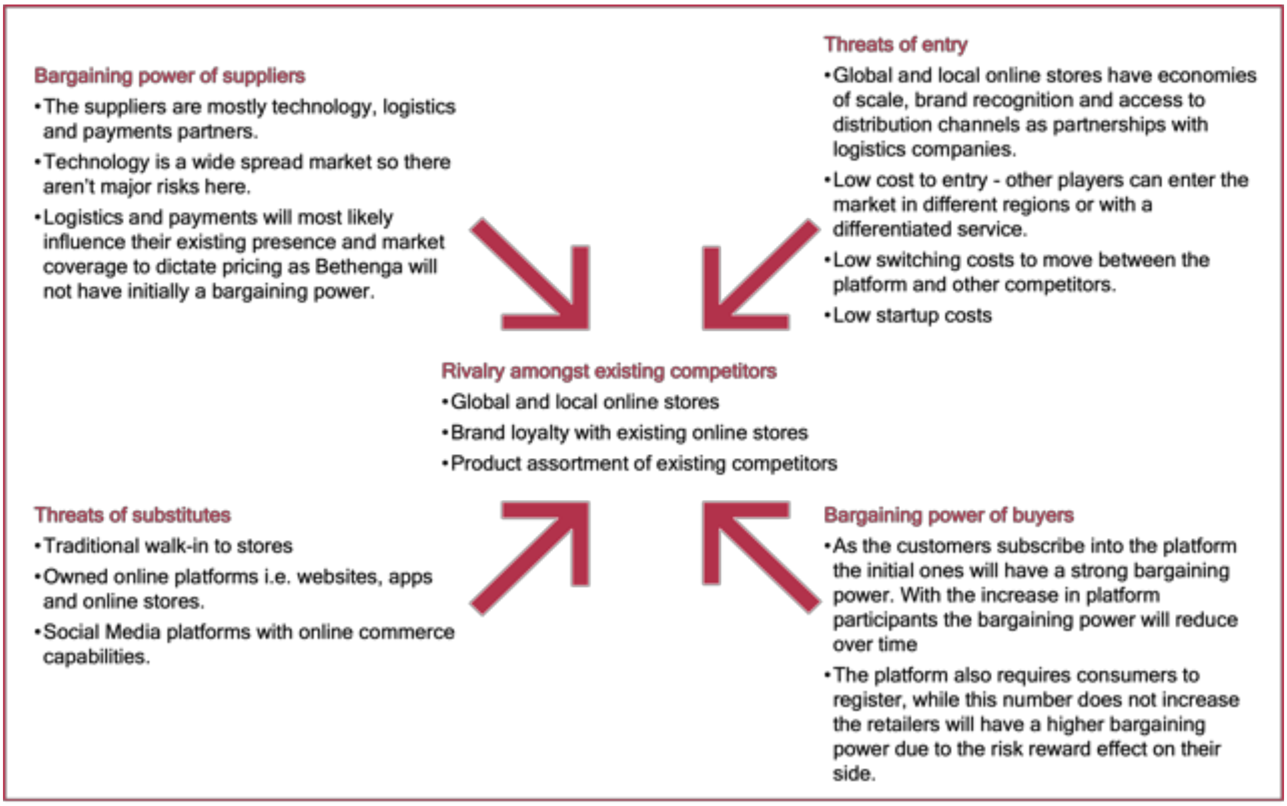


Figure 7 - Porter's five forces to measure market competitiveness and attractiveness

Even though **Bethenga** has no competitor that currently delivers the same service, there are several competitors that provide an online shopping presence and enjoy a current market penetration and brand awareness from the South African consumers.

Competitor	***Coverage***	***Service***	***How it can impact Bethenga?***
Asos, Amazon, Chicwish, eBay and Iwoot	***Almost global***	***Online store***	***It impacts Bethenga's customers as it provides a wide assortment of products. It does not provide local products and it is costly to ship to South Africa with the time of delivery from 3 to 4 days to weeks.***
Takealot, Zando, Superbalist, Loot and other major brands with owned online stores	***National***	***Online store***	***Sell products from major brands and wholesalers. Retailers can sell their products without being able to advertise their brands and create an engaging experience between their store(s) and their customers. Delivery nationally in South Africa.***

Table 5 - Competitors List

From the analysis done on the competitiveness of the market, the key aspects that will influence the go to market of the **Bethenga** service are the defined criteria in the table below for which a detailed analysis was performed against several global and local competitors.

- Service – what type of service it provides to its consumers?
- Product Assortment – what is the product assortment available in the store?
- Focus – Are the company focused on a local or global strategy?
- Shopping by – How many ways to initiate a purchasing experience?
- Delivery fees – How much are the delivery fees?
- Delivery lead time – What are the expected delivery time?
- Ways to Shop – How many ways to experience shopping?
- Experience support – Who can support the engagement experience?
- Currency (ZAR) – Is the payment supported in South African Rand?

Competitor's Name	Service	Product Assortment	Focus	Shopping by	Delivery fees	Delivery lead time	Ways to Shop	Experience support	Currency (ZAR)
Bethenga	Engagement platform with retailers with online shopping	Department store composed by retailers products assortment	Local	By retailer, product and brand	Free and other options	From 1 hour to 24 hours if stock available in store.	Online Reserve online buy in store	The platform and the retailer	Yes
Takealot	Online shopping	Department store	Local	By product and brand	Free for orders over R450 or more.	Based on order. Provided at payment confirmation.	Online	The platform	Yes
Zando	Online shopping	Women, Men, Kids and Home fashion	Local	By product and brand	Free for orders over R250 or more.	3 - 5 days	Online	The platform	Yes
Superbalist	Online shopping	Women, Men, Kids and Home fashion	Local	By product and brand	Free for orders over R350 or more.	5 working days	Online	The platform	Yes
Loot	Online shopping	Department store	Local	By product and brand	Free for orders over R350 or more.	3 - 8 days	Online	The platform	Yes
ASOS	Online shopping	Women and Men fashion	Global	By product and brand. It has a marketplace option.	Free with long delivery times. R370 for express delivery.	2 weeks for standard delivery	Online	The platform	No
Amazon	Online shopping	Department store	Global	No	Minimum of R100 for standard delivery. Premium options starting from R200.	Depends on the shipping option. From 1-2 days to weeks.	Online	The platform	No
Chicwish	Online shopping	Women and Kids fashion	Global	By product	Free without visibility on delivery times.	Not clear how long to ship to South Africa	Online	The platform	No
eBay	Online shopping	Department store	Global	By product and brand.	Free.	Not clear how long to ship to South Africa	Online	The platform	Yes
Iwoot	Online shopping	Gifts, homeware, gadgets, toys and clothing.	Global	By product type.	R75 R150	5-7 Days 3-7 days	Online	The platform	Yes

Table 6 - The Competitive Analysis of Bethenga

3.3 Threats and opportunities

This section summarises the strengths, weaknesses, opportunities and threats (SWOT) analysis that was conducted on the **Bethenga** market and on the external elements to the industry itself, such as economic factors. The initial approach was to look at an existing SWOT prepared by a financial institution that would normally finance new businesses to get a perspective of a key player in the market. According to Standard Bank South Africa[1], there are strengths, weaknesses, opportunities and threats to be considered in the retail industry that are critical in understanding investments related to this industry. In this study the major African bank highlights the following.

Strengths	Weaknesses	Opportunities	Threats
• Increase in customer spend • Established foundations	• Rand volatility • Drought	• The growing middle class • Increasing GDP growth	• Sluggish growth • Growing local and international competition.

Table 7 - Standard Bank's SWOT on the Retail Industry om South Africa

This view is too broad for the context that needs to be considered for **Bethenga**'s operating market. With that in mind, the SWOT prepared by the bank with a general retail point of view is adjusted to better describe the perspective for **Bethenga**. The SWOT analysis is also qualified in context of its relevance to **Bethenga**'s potential business.

[1] The Standard Bank of South Africa Limited is a South African financial services institution that operates across Africa and other locations in the world and it is headquartered in Johannesburg.- https://www.standardbank.co.za.

Strengths	Weaknesses
• Mobile and data usage in South Africa • Local business for locals – this is a very important aspect as it does not get influenced by the volatility of the rand as buying power in an international platform.	• Rand volatility – it has an impact in the broader economy where **Bethenga** will be operating, but does not preclude a weakness to launch the service and can be considered as a strength in context of the foreign competitors.
Opportunities	**Threats**
• The growing middle class – especially important as this is happening in the major cities where there is a higher concentration of retail • Increasing GDP growth • The projected growth for online commerce revenues • The first move advantage – being the first platform in the market will give the business a head start. • Sluggish growth – this is actually an opportunity as it will add affluence of traffic to the shops. • How many different commerce, websites, social media pages will the consumers be willing to use and share personal and payment details with?	• Growing local and international (commerce players have an installed presence already in South Africa) competition. • Established foundations – this is an important threat to consider as existing players will have low barriers of entry to a similar platform business though this would not initially be considered as a business model. • The disperse number of commerce platforms that seem to attract new customers to explore this route.

Table 8 - Retail industry and Bethenga's SWOT analysis

From the analysis above, the context in which **Bethenga** will operate as a business has a considerable number of strengths and opportunities to consider when comparing to the weaknesses and threats posed. Though it demonstrates a positive outlook with threats that require clear mitigation in terms of how **Bethenga** go to market strategy will be defined.

The goals and steps required to mitigate it, either on a short or medium to long terms, will be addressed further in this document.

3.4 Service features and benefits

The Bethenga service needs to be described from two perspectives due to its nature being a two-sided platform. For the retailers, **Bethenga**'s direct customers, the platform will have numerous features and benefits available. For the consumers, **Bethenga**'s indirect customers or the retailer's customers, the platform will have different features and benefits.

The table below describes the key features that will be made available to the retailers.

Feature	***Description***	***Benefit***
Register to Bethenga	Register online profile in **Bethenga**'s platform choosing the subscription package.	Participate in the marketplace.
Create Seller identity	After being registered the retailer can define its online identity by providing the following information: logo, contacts, social media handles, locations, type of product assortment and define online users. The retailer can also define working hours (this relates to the physical store) and supporting hours (this will be related to the availability to receive chats from clients, as the offline messaging will be available 24 hours)	Define the seller identity in the marketplace has the benefit to define the engagement level with consumers within the platform. The consumers need to feel that the store is available via several digital channels like social media, ready for chat if a consumer shows interest in a product and requires immediate support.
Manage Catalogue	Create or upload catalogue with definition of product and its characteristics.	Retailers do not need to make their entire product assortment available in store in the online platform, though it will be important to define the products within the platform's classification so that in searches across a specific product, their

		product can be available with the right content linked to it.
Manage Inventory	Define or upload inventory	An important benefit is to allow a consumer to purchase immediately or to reserve an item online to review in-store. Having the correct definition of its inventory will facilitate the consumer experience.
Manage Pricing	Define or upload pricing information	Important to have an ability to manage pricing and rules around it.
Manage Promotions	Define or upload promotion information. Define promotions for online or based on proximity or consumer interests	This feature is critical and has immense benefit as the retailer can define which products will be made available in the promotions section. Imagine a retailer could target specific consumers where they have an interest and are near the store?
Manage Marketing	Define marketing contributions to influence sort on its products in consumers searches. Buy specific marketing advertising places in the platform.	The sort on the search will be defined by the marketing contribution a retailer makes to his own assortment or specific product. The platform will also have available key spots to be sold for advertising.
Chatbot with consumer (Live Store Assistant)	The platform will have a collaboration feature that will allow consumers and retailers to communicate within the specified supporting hours.	Encrypted conversation at the fingertips of retailers and consumers to enhance engagement experience.

Table 9 - Features and benefits for retailers

The table below describes the key features that will be made available to the consumers.

Feature	*Description*	*Benefit*
Register to Bethenga	Register online profile in the **Bethenga** platform.	Participate in the marketplace.
Create Buyer identity	After being registered, the consumer can define its online identity by providing the following information: contacts, social media handles and residential area. The consumer can also define their product interests.	The consumer identity information will be made available to the retailers not as individual information (can be made available to a specific retailer at a later stage by consent) but as a collective to inform the retailers on which type and what interests the registered consumers have.
Browse catalogue	Browse the catalogue by product type, brand, promotion type, retailer, neighbourhood or proximity.	Retailers do not need to make their entire product assortment available in store in the online platform, though it will be important to define the products within the platform's classification so that in searches across a specific product, their product can be available with the right content linked to it.
Chat with retailer (Live Store Assistant)	The platform will have a collaboration feature that will allow consumers and retailers to communicate within the specified supporting hours.	As and when the consumer shows interest in a product and requires assistance from the retailer, as if they were at the store.
Reserve or purchase items	Ability to buy products online or to reserve a specific product(s) to review in-store or collect from store.	The shopping experience will start with an online search before consumers make their way to the neighbourhood or shopping mall. The engagement starts and continues from store and vice-versa it can start in the store and finish with an online purchase later in the comfort of the home.
Select delivery	Ability to define the appropriate	The benefit to buy something online

mode	delivery mode. Consumers will be able to choose from "Uber" delivery to other logistics partners with the difference being the lead time need.	and get it delivered by "Uber" to meet an immediate need or to set a different delivery expectation.
Review and rate products	Ability to read existing reviews and do a review or rating in a specific product, retailer or service delivered by **Bethenga**.	Obtain insight from other consumers on specific products or retailers as well as to contribute with experience to other consumers.
Review list of promotions or new releases	Ability to review a list of products related to interests and proximity.	The consumers will be able to get into a shopping mall or arrive to a neighbourhood and be notified that there are products of their interest available in certain stores just around the corner from where they are.

Table 10 - Features and benefits for consumers

The previous two tables define the features and benefits of the two-sided platform that will allow to connect retailers with consumers. But **Bethenga**'s product or service is the platform itself to the retailers as the consumers will not pay for registering and using the marketplace.

Bethenga will then sell the service to retailers that register to the platform and will provide the features and benefits to both retailers and consumers that will use the marketplace.

To deliver and sell this product to the retailers **Bethenga** will need to define several partnerships that are required to deliver the service. The following partnerships have been defined as critical for the launch of the platform:

- Cloud infrastructure partner where the platform will be hosted - Amazon Web Services, Inc.
- Logistics partners – Uber, Globeflight, Aramex, PostNet, The Courier Guy, among others that can be shortlisted.
- Payment partners – PayFast, SnapCan, Zapper, among others that can be shortlisted.

3.5 Target customer

The target customer of **Bethenga** are the retailers. There is of course a target to which consumers using **Bethenga** are targeted as indirect customers, but from a business case perspective the key is to define the target customer that will subscribe to the **Bethenga** service.

For retailers, this is the ideal target:

- Location – Johannesburg, Cape Town and Durban
- Size – small retailers in neighbourhoods, shopping malls or retails parks
- Stage in business - startups, growing and mature business
- Annual sales – R5,000,000 to R25,000,000 turnover
- Without a considerable online presence – no online store with little social media penetration

For consumers, this is the ideal target:

- Age – millennials
- Gender – any
- Location – Johannesburg, Cape Town and Durban
- Income – R300,000 to R3,000,000 annual total cost to company
- Occupation – in the services industries
- Mobile user – smartphone

3.6 Positioning/Niche

Bethenga will open a new set of opportunities to small, traditional retailers in the main South African metropolitan areas by increasing their sales and in-store traffic, with offers that will target consumers based on their location and interests. **Bethenga** will not provide an online shopping destination but an online-to-store and store-to-online shopping engagement experience.

3.7 Marketing Campaigns

The following marketing strategy will be implemented to take **Bethenga** to market. The nature of **Bethenga** is to be an online presence to retailers, so the marketing of the brand and service will follow a predominantly online strategy.

The online advertising media of choice will be based on CPC – Cost per Click

- CPC - Cost per Click
  - Instagram
  - Facebook
  - Twitter
  - Pinterest
  - Google AdWords

The target for **Bethenga** is the mobile connected audience, so the focus should be on social media and major search engines.

In addition to the social media marketing initiatives, there will be a print campaign to be distributed in the registered stores, that will allow the consumers not registered to connect to a free Wi-Fi hotspot buy registering into the marketplace and sharing it on social media.

Bethenga will project an image of a digital experience shopping platform.

3.8 The Bethenga Pricing Model

Bethenga will be priced using the following model.

Packages	R199/month*	R399/month*	R599/month*	R799/month*
Features	**Online Retailer**	**Connected Retailer**	**Retailer+**	**Best Retailer**
Commission (%)	5%	4,5%	4%	3,5%
Number of Users	1	3	5	10+
Number of SKUs	20	50	100	Unlimited
Inventory Management	Manual or File Import	Manual or File Import	File Import and API	File Import and API
Promotions	2 per months	5 per month	10 per month	25 per month
Advertising slots	R9/day/slot	R7/day/slot	R5/day/slot	R3/day/slot
Live Store Agent	No	1 connection	2 connections	5 connections
Proximity Search	No	No	Yes	Yes
Integration with Social Media	Yes	Yes	Yes	Yes
Payment Gateways	All	All	All	All
Reporting	Search stats, Promotions, Sales	Search stats, Promotions, Sales and Live Store Agent stats	Search stats, Promotions, Sales, Live Store Agent stats and Proximity stats	Search stats, Promotions, Sales (per user), Live Store Agent stats and Proximity stats
Monthly subscriptions	Minimum 12 months commitment	Minimum 12 months commitment	Minimum 12 months commitment	Minimum 12 months commitment

Table 11 - The Bethenga Pricing Model

The above pricing model was defined to influence the decision of the retailer towards a higher package. The intent was to define the packages in a way that most of the choice would be on the “Connected Retailer” and “Retailer Plus”. From the initial survey conducted with retailers, there was divided opinion regarding a transaction based or subscription-based model. The decision was to define a pricing model that has low cost packages and lower commissions compared to the competitor online stores.

The Bethenga strategy is not for a low-cost approach but rather a combination of service and fair pricing.

3.9 Location or proposed location

The platform is available online. Though the customer journeys can start from the platform and end up in the store or vice-versa, the business cannot be considered as located in the different stores but rather as an online presence.

3.10 12-month sales forecast

	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Annual Totals
"Online Retailer" units sold	10	11	12	13	15	16	19	23	28	33	40	48	269
Sale price @ unit	R 199,00	R 199,00	R 199,00	R 199,00	R 199,00	R 199,00	R 199,00	R 199,00	R 199,00	R 199,00	R 199,00	R 199,00	
"Online Retailer" TOTAL	R 1 990,00	R 2 189,00	R 2 407,90	R 2 648,69	R 2 913,56	R 3 204,91	R 3 845,90	R 4 615,08	R 5 538,09	R 6 645,71	R 7 974,85	R 9 569,82	R 53 543,52
"Connected Retailer" units sold	20	22	24	27	29	32	39	46	56	67	80	96	538
Sale price @ unit	R 399,00	R 399,00	R 399,00	R 399,00	R 399,00	R 399,00	R 399,00	R 399,00	R 399,00	R 399,00	R 399,00	R 399,00	
"Connected Retailer" TOTAL	R 7 980,00	R 8 778,00	R 9 655,80	R 10 621,38	R 11 683,52	R 12 851,87	R 15 422,24	R 18 506,69	R 22 208,03	R 26 649,64	R 31 979,56	R 38 375,48	R 214 712,21
Retailer+ units sold	20	22	24	27	29	32	39	46	56	67	80	96	538
Sale price @ unit	R 599,00	R 599,00	R 599,00	R 599,00	R 599,00	R 599,00	R 599,00	R 599,00	R 599,00	R 599,00	R 599,00	R 599,00	
Retailer+ TOTAL	R 11 980,00	R 13 178,00	R 14 495,80	R 15 945,38	R 17 539,92	R 19 293,91	R 23 152,69	R 27 783,23	R 33 339,88	R 40 007,85	R 48 009,42	R 57 611,31	R 322 337,38
Best Retailer units sold	10	11	12	13	15	16	19	23	28	33	40	48	269
Sale price @ unit	R 799,00	R 799,00	R 799,00	R 799,00	R 799,00	R 799,00	R 799,00	R 799,00	R 799,00	R 799,00	R 799,00	R 799,00	
Best Retailer TOTAL	R 7 990,00	R 8 789,00	R 9 667,90	R 10 634,69	R 11 698,16	R 12 867,97	R 15 441,57	R 18 529,88	R 22 235,86	R 26 683,03	R 32 019,64	R 38 423,57	R 214 981,28
Commissions	R 12 750,00	R 14 025,00	R 15 427,50	R 16 970,25	R 18 667,28	R 20 534,00	R 24 640,80	R 29 568,96	R 35 482,76	R 42 579,31	R 51 095,17	R 61 314,20	R 343 055,23
Commissions TOTAL	R 12 750,00	R 14 025,00	R 15 427,50	R 16 970,25	R 18 667,28	R 20 534,00	R 24 640,80	R 29 568,96	R 35 482,76	R 42 579,31	R 51 095,17	R 61 314,20	R 343 055,23
Advertising units sold	450	495	545	599	659	725	870	1044	1252	1503	1803	2164	12108
Sale price @ unit	R 6,00	R 6,00	R 6,00	R 6,00	R 6,00	R 6,00	R 6,00	R 6,00	R 6,00	R 6,00	R 6,00	R 6,00	
Advertising TOTAL	R 2 700,00	R 2 970,00	R 3 267,00	R 3 593,70	R 3 953,07	R 4 348,38	R 5 218,05	R 6 261,66	R 7 514,00	R 9 016,79	R 10 820,15	R 12 984,18	R 72 646,99
Monthly totals: All Categories	**R 45 390,00**	**R 49 929,00**	**R 54 921,90**	**R 60 414,09**	**R 66 455,50**	**R 73 101,05**	**R 87 721,26**	**R 105 265,51**	**R 126 318,61**	**R 151 582,33**	**R 181 898,80**	**R 218 278,56**	**R 1 221 276,62**

Table 12 - 12-months sales forecast (worst case scenario)

Assumptions made on the 12-months sales forecast:

- The sales of “Connected Retailer” and “Retailer Plus” are double from “Online Retailer” and “Best Retailer”
- The growth on subscriptions sold is of 10% during the initial 6 months and of 20% during the second half of the year
- The commission was calculation based on a average 4.25% commission for an average of R5,000 sales amount per retailer
- Advertising sales is based on only 25% of retailers subscribing to a 30 days advertising slot, at an average of R6 per slot per day.

The best-case scenario assumes that in month 1 the subscription sales are higher by 5 units on “Online Retailer” and “Best Retailer”. On the “Connected Retailer” and “Retailer Plus” the increase is by 10 subscriptions sold. The sales would increase to R1,831,914.93.

CHAPTER 4: FINANCIAL PROJECTIONS

4.1 Income Statement

	Year ending 29-Feb-2020		Year ending 28-Feb-2021		Year ending 28-Feb-2022		Year ending 28-Feb-2023		Year ending 28-Feb-2024		Notes
Receipts (Sales)	R	1 831 914,93	R	3 663 829,86	R	5 495 744,79	R	8 243 617,18	R	12 365 425,77	A
Gross Profit	R	1 831 914,93	R	3 663 829,86	R	5 495 744,79	R	8 243 617,18	R	12 365 425,77	
Operating Expenses											
Salaries	R	1 250 000,00	R	2 050 000,00	R	3 100 000,00	R	4 250 000,00	R	5 350 000,00	B
Advertising	R	300 000,00	R	350 000,00	R	400 000,00	R	450 000,00	R	500 000,00	C
Accounting & Legal	R	120 000,00	R	126 000,00	R	132 300,00	R	138 915,00	R	145 860,75	D
Rent	R	180 000,00	R	189 000,00	R	198 450,00	R	208 372,50	R	218 791,13	E
Telephone and Internet	R	36 000,00	R	37 800,00	R	39 690,00	R	41 674,50	R	43 758,23	F
Insurance	R	12 500,00	R	15 000,00	R	18 000,00	R	21 600,00	R	25 920,00	G
Business rates and taxes	R	20 000,00	R	21 000,00	R	22 050,00	R	23 152,50	R	24 310,13	H
Depreciation	R	-	R	-	R	-	R	-	R	-	I
Loans	R	398 571,72	R	398 571,72	R	398 571,72	R	-	R	-	J
Other Expenses	R	120 000,00	R	132 000,00	R	145 200,00	R	159 720,00	R	175 692,00	K
Total Operating Expenses	R	2 437 071,72	R	3 319 371,72	R	4 454 261,72	R	5 293 434,50	R	6 484 332,23	
Operating Profit (EBIT)	R	(605 156,79)	R	344 458,14	R	1 041 483,07	R	2 950 182,68	R	5 881 093,54	
Interest	R	(65 238,38)	R	(65 238,38)	R	(65 238,38)	R	-	R	-	O
Net Profit Before Tax (EBT)	R	(670 395,17)	R	279 219,76	R	976 244,69	R	2 950 182,68	R	5 881 093,54	
Taxes		0	R	(78 181,53)	R	(273 348,51)	R	(826 051,15)	R	(1 646 706,19)	L
Net Proft After Tax (EAT)	R	(670 395,17)	R	201 038,22	R	702 896,17	R	2 124 131,53	R	4 234 387,35	

Table 13 – Income Statement (5 years projection)

4.2 4.2 Cash Flow

	Year ending 29-Feb-2020		Year ending 28-Feb-2021		Year ending 28-Feb-2022		Year ending 28-Feb-2023		Year ending 28-Feb-2024		Notes
Cash on hand (start of year)	R	-	R	176 945,25	R	225 323,90	R	775 560,49	R	2 670 702,66	
Cash receipts											
Cash sales	R	1 679 255,35	R	3 358 510,70	R	5 037 766,05	R	7 556 649,08	R	11 334 973,62	
Collections	R	-	R	152 659,58	R	305 319,15	R	457 978,73	R	686 968,10	M
Loans	R	1 000 000,00	R	-	R	-	R	-	R	-	I
Total cash receipts	R	2 679 255,35	R	3 511 170,28	R	5 343 085,21	R	8 014 627,81	R	12 021 941,72	
Total cash available (before cash out)	R	2 679 255,35	R	3 688 115,53	R	5 568 409,11	R	8 790 188,31	R	14 692 644,37	
Cash paid out											
Purchases (Laptops)	R	60 000,00	R	66 000,00	R	72 600,00	R	79 860,00	R	87 846,00	N
Salaries	R	1 250 000,00	R	2 050 000,00	R	3 100 000,00	R	4 250 000,00	R	5 350 000,00	B
Business rates and taxes	R	20 000,00	R	21 000,00	R	22 050,00	R	23 152,50	R	24 310,13	H
Rent	R	180 000,00	R	189 000,00	R	198 450,00	R	208 372,50	R	218 791,13	E
Telephone and Internet	R	36 000,00	R	37 800,00	R	39 690,00	R	41 674,50	R	43 758,23	F
Insurance	R	12 500,00	R	15 000,00	R	18 000,00	R	21 600,00	R	25 920,00	G
Taxes	R	-	R	78 181,53	R	273 348,51	R	826 051,15	R	1 646 706,19	L
Accounting and legal	R	120 000,00	R	126 000,00	R	132 300,00	R	138 915,00	R	145 860,75	D
Travel expenses	R	24 000,00	R	26 400,00	R	29 040,00	R	31 944,00	R	35 138,40	
Advertising	R	300 000,00	R	350 000,00	R	400 000,00	R	450 000,00	R	500 000,00	C
Interest	R	65 238,38	R	65 238,38	R	65 238,38	R	-	R	-	O
Other Expenses	R	36 000,00	R	39 600,00	R	43 560,00	R	47 916,00	R	52 707,60	K
Loan principal payment	R	398 571,72	R	398 571,72	R	398 571,72	R	-	R	-	J
Total Cash Paid Out	R	2 502 310,10	R	3 462 791,63	R	4 792 848,61	R	6 119 485,65	R	8 131 038,42	
Cash Position (end of year)	R	176 945,25	R	225 323,90	R	775 560,49	R	2 670 702,66	R	6 561 605,96	

Table 14 - Cash Flow (5 years projection)

4.3 4.3 Balance Sheet

	As at 29-Feb-2020		As at 29-Feb-2021		As at 29-Feb-2022		As at 29-Feb-2023		As at 29-Feb-2024		Notes
Curent Assets											
Cash at bank	R	176 945,25	R	225 323,90	R	775 560,49	R	2 670 702,66	R	6 561 605,96	
Total Current Assets	R	176 945,25	R	225 323,90	R	775 560,49	R	2 670 702,66	R	6 561 605,96	
Non Current Assets											
PPE	R	60 000,00	R	66 000,00	R	72 600,00	R	79 860,00	R	87 846,00	N
Software (Book Value)	R	100 000,00	R	500 000,00	R	1 000 000,00	R	1 000 000,00	R	1 000 000,00	P
Total Non Current Assets	R	160 000,00	R	566 000,00	R	1 072 600,00	R	1 079 860,00	R	1 087 846,00	
Total Assets	R	336 945,25	R	791 323,90	R	1 848 160,49	R	3 750 562,66	R	7 649 451,96	
Current Liabilities											
Interest payable	R	130 476,77	R	65 238,38	R	-	R	-	R	-	
Taxes payable	R	78 181,53	R	273 348,51	R	826 051,15	R	1 646 706,19	R	3 057 436,82	L
Total Current Liabilities	R	208 658,30	R	338 586,90	R	826 051,15	R	1 646 706,19	R	3 057 436,82	
Non Current Liabilities											
Loan	R	797 143,43	R	398 571,72	R	-	R	-	R	-	J
Total Non Current Liabilities	R	797 143,43	R	398 571,72	R	-	R	-	R	-	
Total Liabilities	R	1 005 801,73	R	737 158,61	R	826 051,15	R	1 646 706,19	R	3 057 436,82	
Equity											
Share capital	R	-	R	-	R	-	R	-	R	-	
Retained earnings	R	(670 395,17)	R	201 038,22	R	702 896,17	R	2 124 131,53	R	4 234 387,35	
Total Equity	R	(670 395,17)	R	201 038,22	R	702 896,17	R	2 124 131,53	R	4 234 387,35	
Total Liabilities and Equity	R	335 406,56	R	938 196,84	R	1 528 947,32	R	3 770 837,72	R	7 291 824,17	

Table 15 - Balance Sheet (5 years projection)

4.4 Net Present Value (NPV)

	Year 0		Year 1		Year 2		Year 3		Year 4		Year 5	Notes
t		-		1		2		3		4	5	
r (IRR)		6,75%		6,75%		6,75%		6,75%		6,75%	6,75%	Q
Net Cash Flow	R	(1 000 000,00)	R	176 945,25	R	225 323,90	R	775 560,49	R	2 670 702,66	R 6 561 605,96	
DCF	R	(1 000 000,00)	R	165 756,68	R	197 729,51	R	637 546,74	R	2 056 619,76	R 4 733 372,98	
NPV	R	6 791 025,66										

Table 16 – NPV

4.5 Notes

The table below summarises the material assumptions made on the financial projections made for 5 years.

Note	***Description***
A	**Sales Forecast** Year 1 - the sales number is based on the best case 12-month sales forecast. Year 2 – growth of 100% Year 3, 4 and 5 – growth of 50%
B	**Salary Costs** Year 1 – headcount of 2 Year 2 – headcount of 4 Year 3 – headcount of 6 Year 4 – headcount of 8 Year 5 – headcount of 10
C	**Advertising** Year 2 to 5 – all advertising costs were estimated to grow by R50 000 year on year.
D	**Accounting & Legal** Year 2 to 5 – all accounting and legal costs were estimated to grow by 5% year on year.

E	**Rent** Year 2 to 5 – all office rental costs were estimated to grow by 5% year on year.
F	**Telephone and Internet** Year 2 to 5 – all telephone and internet costs were estimated to grow by 5% year on year.
G	**Insurance** Year 2 to 5 – all insurance costs were estimated to grow by 20% year on year.
H	**Business Rates and Taxes** Year 2 to 5 – all business-related rates and taxes costs were estimated to grow by 5% year on year.
I	**Depreciation** No depreciation cost was considered in the financial projections.
J	**Loan** An initial loan of R1 000 000 was contracted from a bank with an interest rate of 12%.
K	**Other expenses** Year 2 to 5 – all other expenses were estimated to grow by 10% year on year.
L	**Taxes** Corporate taxes calculated using a rate of 28%.
M	It was assumed that collections are running on one month in arrears.

N	**Purchase of equipment** Year 2 to 5 – all equipment purchase was estimated to increase year on year.
O	The platform software was estimated to have an increasing book value to be reported in the balance sheet.
P	IRR used at a rate of 6,75%

Table 17 - Assumptions for Financial Projections

CHAPTER 5: LITERATURE REVIEW

To answer the key uncertainties, the literature review was conducted to find answers to some of the challenges, either in similar business models, or using parallelisms from other types of businesses or even industries.

The following diagram (Figure 8) articulates the major dependencies of causality on the different risks identified and its relation to the future profit of the marketplace.

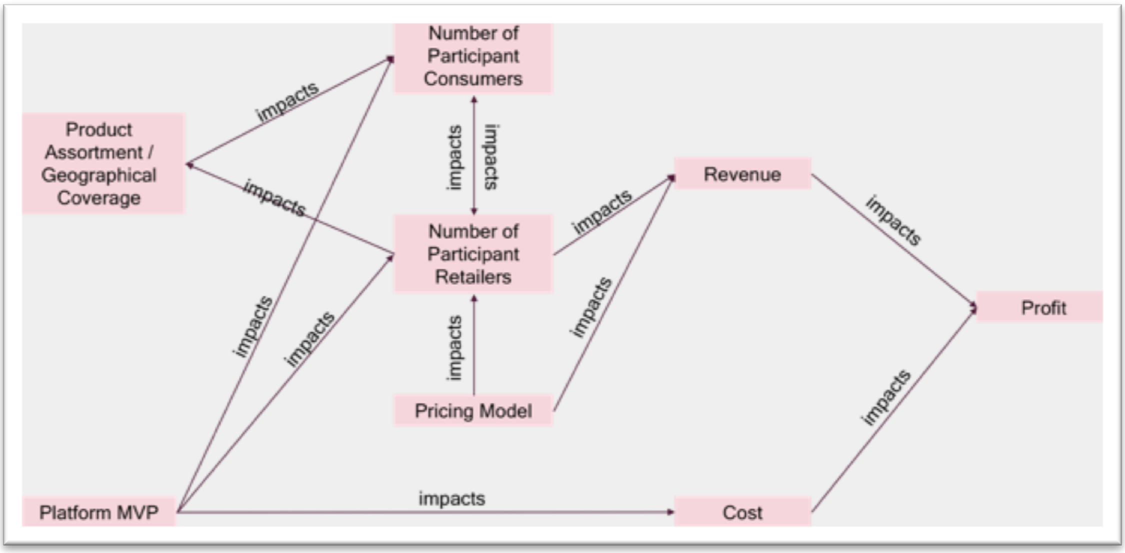


Figure 8 - Diagram that shows the relation of impact between the different risks

5.1 Scale up the marketplace

One of the key uncertainties of launching a platform is the adoption by the different agents that will participate in the marketplace, i.e. retailers and consumers. There a number of theories and strategies that help marketplaces to establish the number of agents that allow a marketplace to succeed, based on the fact that there is an indirect network externality effect between the two (Evans & Schmalensee, 2005). The impact on the demand on one side of the platform has a strong relationship to the supply on the other side of the platform, e.g. companies will produce more software as there is more demand for devices that require software (Gupta, Jain, & Sawhney, 1999). The literature review focus on which strategies are available from the body of knowledge that can mitigate this uncertainty.

There is a relationship between retailers and consumers registered in the platform, also described as the chicken and egg dilemma, and the fact that one type of agent requires the other, so how will the marketplace scale in both sides of the platform (Chakravorti & Roson, 2006). Another aspect is the number of transactions between agents. It is important to consider the number of agents subscribed to the platform, but it is critical that these agents generate a considerable number of transactions (Sculley & Woods, 1999). The importance is then to recruit the right retailers and consumers in an initial wave to generate the volume of transactions that will influence the continued growth of agents using the platform. For this specific marketplace the equilibrium between the number of retailers, consumers and the transactions generated in the platform will be a considerable aspect in modelling the business case.

When it comes to the recruitment or on boarding of agents to a two-sided marketplace, there several strategies suggested that approach the problem differently or provide a different strategic direction on how to do it. These strategies are defined as sequential entry, simultaneous entry of sides, basic zig-zag or marquee strategies among others (Gawer, 2009), these being the most relevant to this marketplace. The best strategy to use will be defined after the data collection and analysis, as retailers and consumers will have an important view on how they see the value proposition for both sides of the platform. There is also another key aspect in the literature (Gawer, 2009) that describes the role of recruiting the right agents to the platform. Customer heterogeneity looks at aspects related to attracting innovators first, early adopters after and so on, in the spectrum of product adoption lifecycle. This strategy is crucial in the diffusion of the marketplace in a mouth-to-mouth fashion.

Another view present in the literature, is the speed of scaling up versus the quality of the platform (Hall, 2000). Considering the theory of network externality to which this marketplace is exposed, it is important to strike the right balance between the scaling in terms of volume, e.g. number of agents and transactions, with the quality or scope of the platform, e.g. features and functions available. This position relates with the concepts of lean entrepreneurship or lean concepts on how to launch and test businesses with a continuous improvement allowing for changes to take place in the course of the process (Cooper & Vlaskovits, 2013).

Another marketplace that presents similar challenges are the crowdfunding platforms. There are similarities to this marketplace. According to (Kohler, 2018) the strategy to scale is based on three key elements: actors or agents as referred to before, interactions and creation of value units. There is a huge analogy between crowdfunding platforms and this marketplace in the sense that success will be represented not only by the number of agents but also the interactions created between retailers and consumers and the value derived from it.

Another leading strategic aspect relates to incentives from a pricing or discount perspectives, that the marketplace can use, to either compete more effectively, or to increase the number of agents that are required to participate in the platform (Chakravorti & Roson, 2006). Pricing will be discussed separately in the next section, whilst other incentives for the consumers will need to be defined and considered in the business case. Incentives have a great link to platform diffusion and should be taken into consideration especially when there is a need to achieve a level of differentiation from other players in the market (Brousseau & Pénard, 2007).

A very interesting view by (Costa, 2016) is that there is no one size fits all approach to scale up a marketplace, even in some cases competitive marketplaces may use completely different strategies to grow the number of agents and transactions within the platform.

The literature reviewed give an indication on what major principals to look at in terms of strategies to apply and considerations to follow, but there is a level of entrepreneurship or innovation required to set the right path to the implementation of this marketplace.

5.2 Marketplace pricing model

The second risk that requires mitigation relates to the pricing model of the electronic marketplace service(s) to retailers and consumers, that has a direct impact on the potential number of retailers and consumers subscribing to the platform and consequently to the potential revenue generation.

One of the crucial strategic recommendations done in (Eisenmann, Parker, & Van Alstyne, 2006) is on making sure the price is designed correctly as the entire premise of the business will relate to this. Notwithstanding, there are number of options in terms of pricing models that can be applied to the marketplace.

Before delving into detail, there is a need to look at the different pricing that are present in this marketplace. According to the diagram (Figure 9) there are three different prices to consider:

1. Business to Business (B2B) pricing model
    a) Pricing between the marketplace owner and the retailer(s)
2. Business to Consumer (B2C) pricing model
    a) Pricing between the retailer(s) and consumer(s)
    b) Pricing between the marketplace owner and the consumer(s)

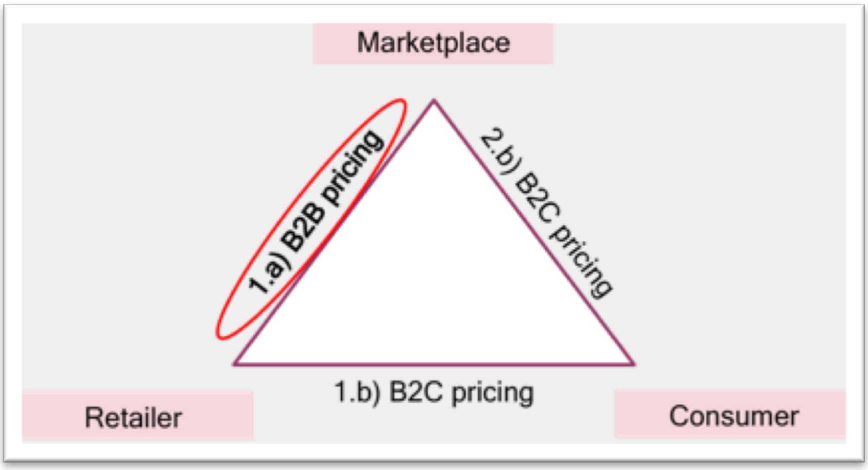


Figure 9 - Different Pricing in the system

In context of this report, only the B2B pricing, between the marketplace and the retailer, will be examined in detail, as for the other pricing, the business model assumes the following:

- Pricing between the retailer(s) and consumer(s)
  - ✓ The price for the consumer to register and use the marketplace will be zero. This will be a key strategic aspect to increase the consumer adoption into the marketplace. The success of marketplaces depends on the volume of transactions, thus it depends on the numbers of retailers and consumers registered and actively using the platform (Galbreth, March, Scudder, & Shor, 2005). In this specific business model there is a clear objective to lower the entry criteria for consumers to influence the incentive for more retailers to join the marketplace. It is possible to say that the price of zero on the consumer side will be cross subsidised by the pricing model defined for the retailer.

- Pricing between the marketplace owner and the consumer(s)
  - ✓ The price between the retailers and consumers is solely dictated by the retailer and the marketplace will have no control over it. This is discussed in (Constantiou, Marton, & Tuunainen, 2017) as one of the sharing economy model where the marketplace owner exerts no control of the prices. As referred in the Temple Framework, this aspect is directly related to the governance of the marketplace (Brunn et al., 2002), whereby the control will be loose for the pricing defined by the retailers, allowing this to be a truly competitive market.

Focusing on the B2B pricing between the marketplace and the retailers requires an understanding of the differing types of pricing that could be adopted by the marketplace owner. According to (Kung & Zhong, 2017) there are three different pricing models that could be used in isolation or in a combination manner:

- Membership-based pricing – members pay a fee to register and user the platform.
- Transaction-based pricing – members pay a fee per transaction generated in the platform.
- Cross subsidisation pricing – some members pay a fee while other members don't thus the funds collected from different revenue lines will allow for cross subsidisation of prices for other members.

The business model would allow for any of the three or a combination of it to be used by the marketplace. There numerous advantages and disadvantages in using different pricing strategies with a direct impact on the potential revenues of the business. According to (Chakravorti & Roson, 2006), the marketplace pricing requires a strategic definition of a pricing structure and not only of a pricing level. This marketplace has objectives to not only charge traditional pricing schemes but to look at other opportunities to monetise different services within the platform. An example, would be to monetise data gathered by the platform to provide key insights to retailers on aggregated consumer data (Najjar & Kettinger, 2013).

The report will analyse which would be the best option for the pricing having in consideration aspects related cross-group externalities and fixed fees or transaction-based fees (Armstrong, 2006). In addition to this, there is a clear view that the two-sided platform pricing key objective is to allow for both agents to on board to the marketplace and work out from the volumes the best pricing model possible (J. C. Rochet & Tirole, 2003). It is also important to refer the element in which the price model for the marketplace that considers only the price in one of the sides, that price in fact must be decomposed between the two markets sides (J.-C. Rochet & Tirole, 2006)), in this regard the retailers and consumers.

5.3 Platform Minimum Viable Product (MVP)

This section deals with the risk related to the scope of the platform on the day of launch of the marketplace. The scope is defined in three main groups:

- Product assortment,
- Geographical coverage and
- the Technical platform itself.

There is a combination of business model development and technology development, so the approach requires concepts of lean start-up and agile, as (Miski, 2014) these methodologies are complementary with focus on business with lean start-up (Ries, 2011) and technology with agile methodology (Beck et al., 2001). For product assortment and geographical coverage, lean start-up concepts will be applied. Whilst for technological platform development, agile methodology concepts will be used.

Following the lean start-up methodology, a number of hypothesis are defined and validated against the customer responses (Ries, 2011). This will be the way to mitigate and answer the uncertainty on product assortment and geographical coverage.

The technical platform requires a definition of a minimum viable product, or the minimum number of features (Lenarduzzi & Taibi, 2016) to satisfy a consumer that registers as an early adopter.

5.4 Summary

From the literature review and the three qualms presented, it is then crucial to understand how this marketplace will recruit retailers and consumers to the ecosystem, how it will correctly define its pricing structure and what the scope for the platform is on the launch of the marketplace.

There are several ways to implement a solid strategy that will define the adoption success in both sides of the platform. The ones that seem to have more applicability to this marketplace are:

- Identification of early adopters (retailers and consumers)
- Incentives for both type of agents
- Marketplace advertisement

Regarding the pricing structure, it will be crucial to decide which model, but above all the price equilibrium that will allow for the first phase to be successful. The current view is that a combination of the following pricing models will be the more adequate:

- Membership-based pricing for retailers with incentives for enrolment into the platform
- Other pricing items for monetised services

On the scope of the solution, there are several variables that will be modelled as part of the analysis relating the product assortment with the number of retailers and their geographical location, of which retailer and consumer feedback will be used to prove the hypothesis. The component related to the minimum viable product will be considered as a cost item in the business case, based on an estimation using a lean methodology.

These three options will be modelled into the business case, as there are clear impacts in terms of costs that will need to be factored in the ROI and break-even point calculation.

CHAPTER 6: RESEARCH METHODOLOGY

This section presents the plan from the moment this proposal is accepted until the submission of the ARP late in August 2018. In the plan are highlighted the main activities and milestones that this project has ahead. An important activity of this project is the collection and analysis of data required to support the decisions required on the key risks or uncertainties presented in section *Problem statement of the business venture* and linked to the narrative reviewed in section chapter 5: Literature. The process of data collection and analysis requires a methodology that is presented in the sections ahead.

6.1 Project Plan

If this proposal will be approved, the most important milestone is the submission of the final pack related to this ARP is 31 of August 2018. Considering that this data is fixed, this project plan will be based on a time-box approach. Thus, all the activities are planned backwards from the last day of the project. The macro plan (Figure 10) to achieve the submission date is presented below.

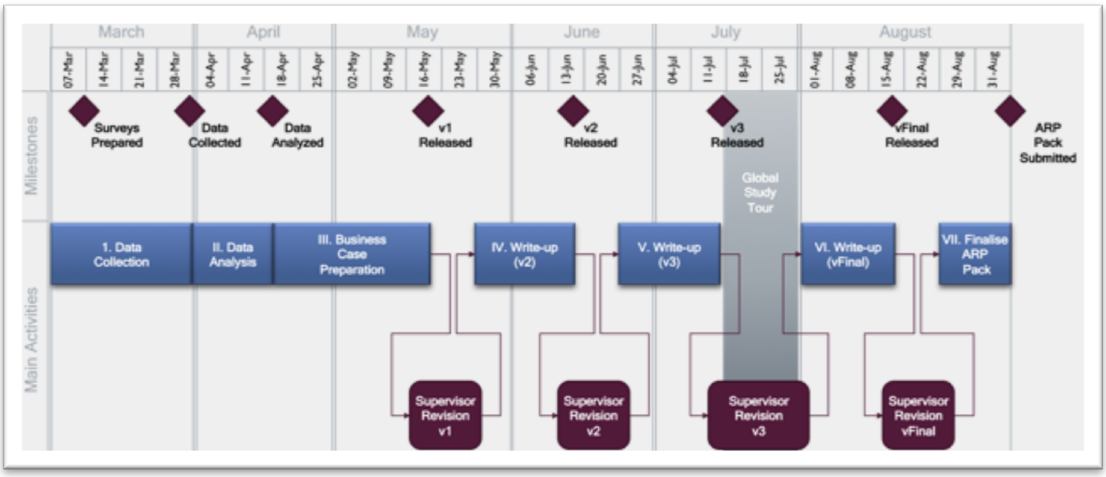


Figure 10 - Applied Research Project Gantt chart

The activities within each macro activity presented above are the following:

Macro activity	*Detailed Activity*
I. Data Collection	✓ Configure surveys in Qualtrics® (https://wits.eu.qualtrics.com) ✓ Run the Consumer survey online ✓ Run the Retailer survey on the ground ✓ Collect data from survey results
II. Data Analysis	✓ Analyse data gathered from the surveys
III. Business Case Preparation	✓ Define Business Objectives ✓ Define Value Proposition ✓ Perform Market Assessment o Industry o Competitors o SWOT ✓ Target Customers o Retailers o Consumers ✓ Marketing Plan ✓ Operating Model ✓ Financial Investment ✓ Release v1 for review
IV. Write-up	✓ Incorporate revisions and comments from the supervisor ✓ Release v2 for review
V. Write-up	✓ Incorporate revisions and comments from the supervisor ✓ Release v3 for review
VI. Write-up	✓ Incorporate revisions and comments from the supervisor ✓ Release vFinal for submission

VII.	**Finalise ARP Pack**	✓ Prepare other documentation required for the ARP final pack ✓ Submit ARP pack

Table 18 - ARP detailed activities

6.2 Approach

This section describes the approach for data collection which will be based on a market study questionnaire that will be directed to Retailers and Consumers.

The objective of this survey is to gather the minimum data required to support the data analysis required for the 2 key uncertainties identified in the section *Problem statement of the business venture*:

- ✓ **Error! Reference source not found.**
- ✓ Marketplace pricing model

For each agent in part of this marketplace platform there will be a different questionnaire focusing on the data that will be required for the analysis.

The data collected in both surveys will contribute to the model that will be described in section Methodology.

The design of the surveys is the following:

6.2.1 *Questionnaire for Retailers (shop owners)*

My name is … and I'm running a survey for an MBA applied research project at Wits Business School. The project is to define the viability of a digital marketplace for traditional retail in South Africa. I would like to spend 10 minutes with you to go over some questions in your function as shop owner.

#	Question	Possible answers	Data will be used to answer
1	Would you be willing to join a platform that would allow you to advertise, sell and campaign your products to customers using a mobile app?	Yes No	**Error! Reference source not found.**
2	Would you be able to identify customers to join the platform to act as ambassadors of the marketplace?	Yes No	
3	Would you consider offering an incentive for consumers to join the platform?	Yes No	
4	Would you subscribe prior from having customers registered in the marketplace?	Yes No	
5	Would you enjoy a grace period in terms of subscription fees to join the platform?	Yes No	
6	How many shops do you have?	Numeric value	Marketplace pricing model
7	How many assorted products do you have in stock?	Numeric value	
8	How much do you spend in marketing per month?	Currency value	
9	Would you prefer to pay a monthly subscription fee or transaction-based fee to subscribe to the platform?	Subscription-based fee Transaction-based	

		fee	
10	Under the subscription-based model: At what price would this service start to look inexpensive or cheap for your company?	R999 per month R799 per month R599 per month R399 per month	
11	Under the transaction-based model: At what price would this service start to look inexpensive or cheap for your company?	R19 per transaction R17 per transaction R15 per transaction R11 per transaction R9 per transaction	
12	Would you like to have a mobile app to manage your advertisement, catalogue, pricing and campaigns?	Yes No	Platform Minimum Viable Product (MVP)
13	Would you pay to know what your customers are talking about your store in the social media platforms?	Yes No	
14	Would you like to receive chats from customers interested in your products?	Yes No	
15	Would you consider managing a hybrid inventory between your physical stock in store and the stock you would have available online?	Yes No	
16	Would you like to have your customers shopping experience evaluated	Yes	

	/commented by them on the platform?	No	
17	Would you like to know which customer segments are in your vicinity at a specific point in time?	Yes No	

Table 19 - Questionnaire for Retailers (shop owners)

6.2.2 *Questionnaire for Consumers*

My name is … and I'm running a survey for an MBA applied research project at Wits Business School. The project is to define the viability of a digital marketplace for traditional retail in South Africa. I would like to spend 10 minutes with you to go over some questions in your role as a customer.

#	***Question***	***Possible answers***	***Data will be used in***
1	Would you be willing to join a platform that would allow you to search, review, reserve, purchase products from local retailers using a mobile app?	Yes No	**Error! Reference source not found.**
2	If I tell you that this service is free would you register now?	Yes No	
3	Would you be interested in participating in an early adopter group of this mobile app with the incentive of an initial voucher?	Yes No	
4	Where do you prefer to shop?	Traditional Retail Shopping Malls	Platform Minimum Viable Product

		Online	(MVP)
5	Would do you search for products in the traditional retail shops?	Physically visiting the shop Search engines like Google	
6	Would you be willing to chat to a shop representative regarding a product you saw online that is available in their store?	Yes No	
7	Would you like to be notified of specials or promotions you would normally be interested when walking around a neighbourhood or when getting in a shopping mall?	Yes No	
8	Where do you keep your wish list?	Phone Paper In your head	
9	Would you like to reserve stock in a traditional store for an item you saw online?	Yes No	
10	How many loyalty cards do you carry in your wallet?	1 2 3 4 More than 4	

11	Would you be willing to store all those cards in a mobile app?	Yes No	
12	When you are in a neighbourhood or shopping mall, how do you know which shops are running specials on items you would have an interest on?	Email/SMS campaigns Outdoors Radio/TV Online search	
13	Would you like to have notifications on your cell phone with those specials?	Yes No	
14	How do you find a store in a shopping mall?	Shopping Mall Maps Ask someone Search on your phone	

Table 20 - Questionnaire for Consumers

The questionnaires will be run against the following samples:

- Population: Brick and mortar retailers in South Africa
    - Sampling frame: Brick and mortar retailers in Johannesburg
        - Sample: Brick and mortar retailers in Parkhurst
- Population: Consumers in South Africa
    - Sampling frame: Consumers in Johannesburg
        - Sample: Consumers in Deloitte Consulting

6.3 Methodology

The methodology for data collection will be based on a quantitative method. The data gathered will be used to answer the questions in section **Error! Reference source not found.**

Study question	Agent	Survey question	Answer	Impact on number of marketplace members	Variable influenced
How to scale up the marketplace in terms of the number of participant retailers and consumers?	Retailers	Would you be willing to join a platform that would allow you to advertise, sell and campaign your products to customers using a mobile app?	Yes	↑	Interest in the platform
			No	↓	
		Would you be able to identify customers to join the platform to act as ambassadors of the marketplace?	Yes	↑	Early adopters
			No	↓	
		Would you consider offering an incentive for consumers to join the platform?	Yes	↑	Incentives
			No	↓	
		Would you subscribe prior from having customers registered in the marketplace?	Yes	↑	Early adopters
			No	↓	
		Would you enjoy a grace period in terms of subscription fees to join the platform?	Yes	↑	Incentives
			No	↓	
	Consumers	Would you be willing to join a platform that would allow you to search, review, reserve, purchase products from local retailers using a mobile app?	Yes	↑	Interest in the platform
			No	↓	
		If I tell you that this service is free would you register now?	Yes	↑	Incentives
			No	↓	
		Would you be interested in participating in an early adopter group of this mobile app with the incentive of an initial voucher?	Yes	↑	Early adopters
			No	↓	

Table 21 - Proposed data analysis for Scale up the marketplace

The data collected in the two surveys will be combined to analyse the importance of 3 variables that will influence the scalability of the marketplace.

- Interest in the platform by both sides of the platform
- The need for early adopters in both sides of the platform, and
- The need for incentives to both sides of the platform to drive adoption.

Regarding the question of the Marketplace pricing model, the data to be analysed will influence the pricing model of the service for retailers to subscribe to the platform.

Study question	Agent	Survey question	Answer	Impact on pricing	Variable influenced
What is the pricing model for the marketplace?	Retailers	How many shops do you have?	Numeric value	Numeric value	Pricing Model
		How many different products do you have in stock?	No	Numeric value	
		How much do you spend in marketing per month?	Yes	Currency value	
		Would you prefer to pay a monthly subscription fee or transaction-based fee to subscribe to the platform?	Yes	Subscription-based fee Transaction-based fee	
		Under the subscription-based model: At what price would this service start to look inexpensive or cheap for your company?	No	R999 per month R799 per month R599 per month R399 per month	
		Under the transaction-based model: At what price would this service start to look inexpensive or cheap for your company?	Yes	R19 per transaction R17 per transaction R15 per transaction R11 per transaction R9 per transaction	

Table 22 - Proposed data analysis for Marketplace pricing model

The last question, “What is the pricing model for the marketplace?” will be answered by surveying which features retailers and consumers would be interested to have in the platform.

CHAPTER 7: DISCUSSION OF THE SURVEY RESULTS

This section presents the results from the data collected by the two questionnaires and a discussion on how the results support or help defining the business venture.

7.1 Summary of data collected

The questionnaires executed had different audiences, samples and methods of interview.

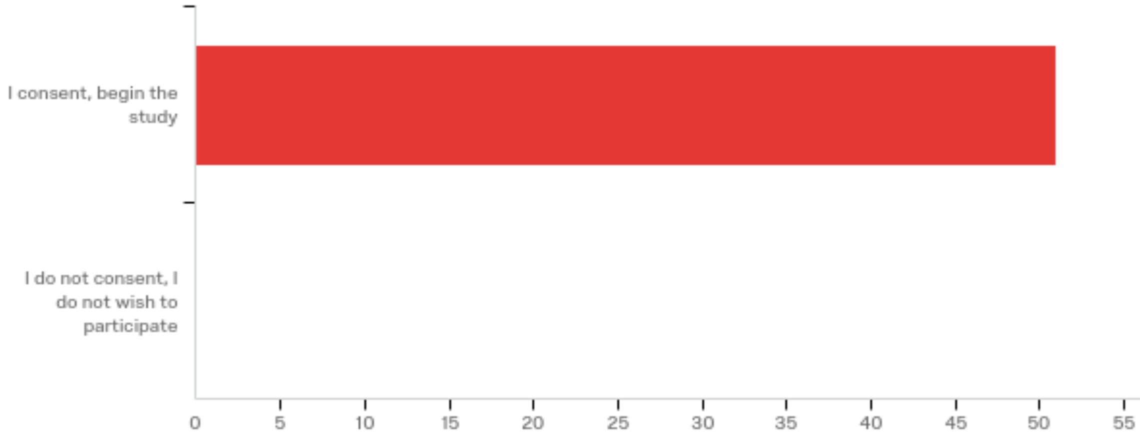
	Questionnaire 1	***Questionnaire 2***
Audience	Retailers	Consumers
Execution	Onsite interview	Online
Sample details		
• **Confidence level**	90%	90%
• **p**	0.5	0.5
• **Error**	5%	10%
• **Population size**	1,000,000.00	210.00
• **Sample size**	270	51
Respondents	273	52

Table 23 - Questionnaires technical details

7.2 Results from questionnaires

7.2.1 *Questionnaire for Retailers*

a. ***Q1 - Welcome to the research study! We are interested in understanding "Investing in a digital marketplace.***

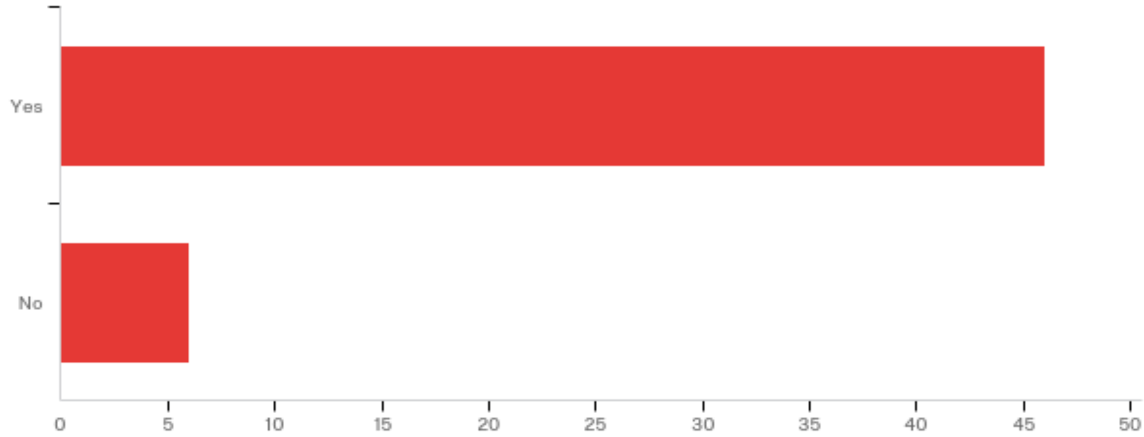


#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Welcome to the research study! We are interested in understanding “Investing in a digital marketplace”	1.00	1.00	1.00	0.00	0.00	51

#	Answer	%	Count
1	I consent, begin the study	100.00%	51

2	I do not consent, I do not wish to participate	0.00%	0
	Total	100%	51

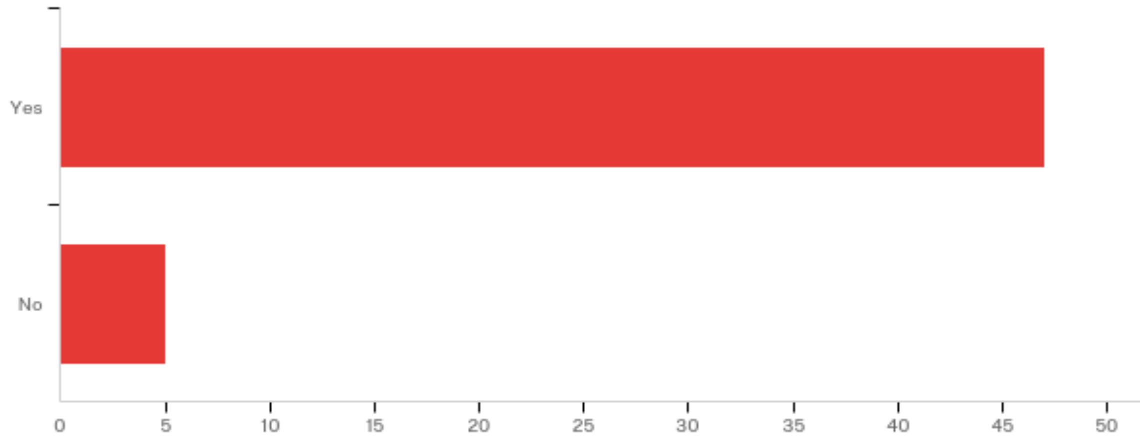
b. ***Q3 - Would you be willing to join a platform that would allow you to advertise, sell and campaign your products to customers using a mobile application?***



#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you be willing to join a platform that would allow you to advertise, sell and campaign your products to customers using a mobile application?	1.00	2.00	1.12	0.32	0.10	52

#	Answer	%	Count
1	Yes	88.46%	46
2	No	11.54%	6
	Total	100%	52

c. ***Q4 - Would you be able to identify customers to invite to join the platform and act as ambassadors of the marketplace?***

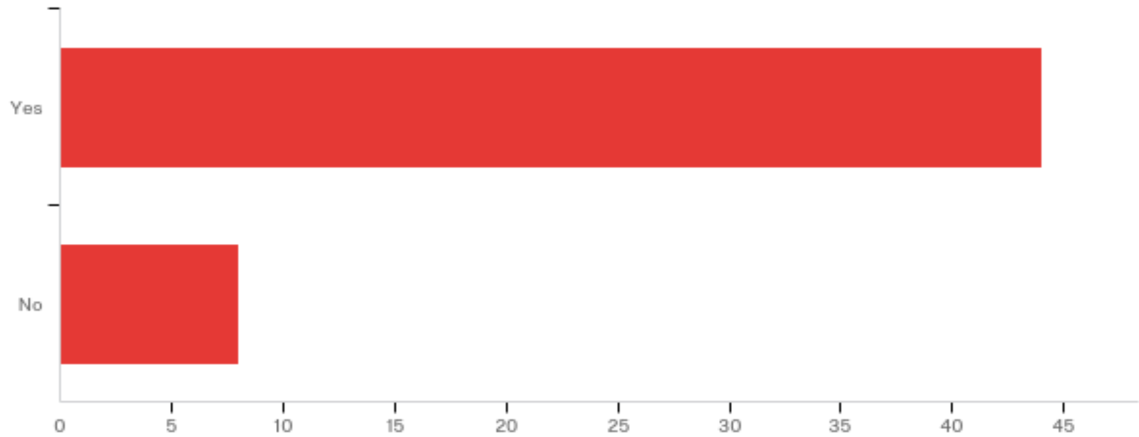


#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you be able to identify customers to invite to join the	1.00	2.00	1.10	0.29	0.09	52

	platform and act as ambassadors of the marketplace?						

#	Answer	%	Count
1	Yes	90.38%	47
2	No	9.62%	5
	Total	100%	52

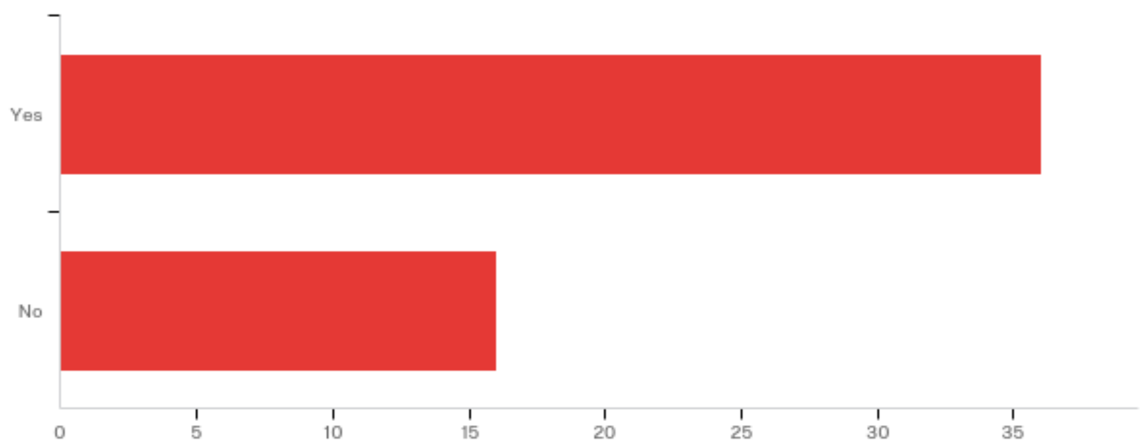
d. ***Q5 - Would you consider offering an incentive for consumers to join the platform?***



#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you consider offering an incentive for consumers to join the platform?	1.00	2.00	1.15	0.36	0.13	52

#	Answer	%	Count
1	Yes	84.62%	44
2	No	15.38%	8
	Total	100%	52

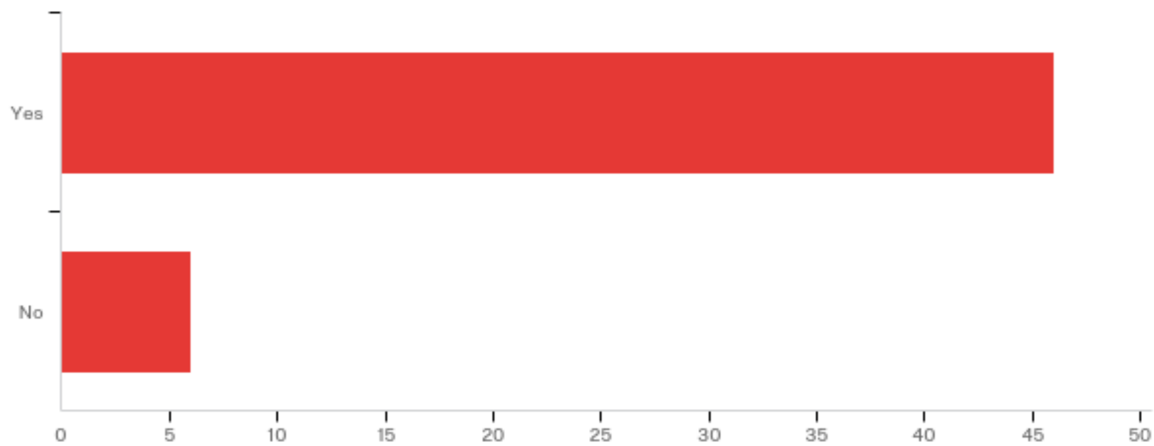
e. ***Q6 - Would you subscribe to the platform prior to having customers registered in the marketplace?***



#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you subscribe to the platform prior to having customers registered in the marketplace?	1.00	2.00	1.31	0.46	0.21	52

#	Answer	%	Count
1	Yes	69.23%	36
2	No	30.77%	16
	Total	100%	52

f. ***Q7 - Would you like to enjoy a grace period in terms of subscription fees to join the platform?***

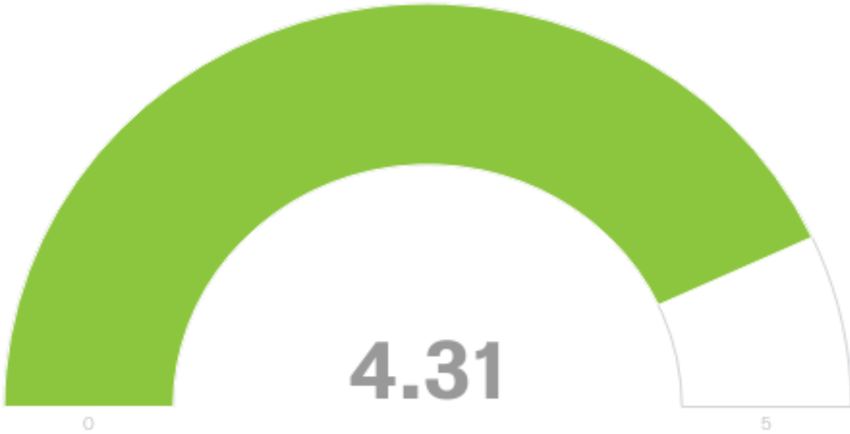


#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you like to enjoy a grace period in terms of subscription fees to join the platform?	1.00	2.00	1.12	0.32	0.10	52

#	Answer	%	Count
1	Yes	88.46%	46
2	No	11.54%	6
	Total	100%	52

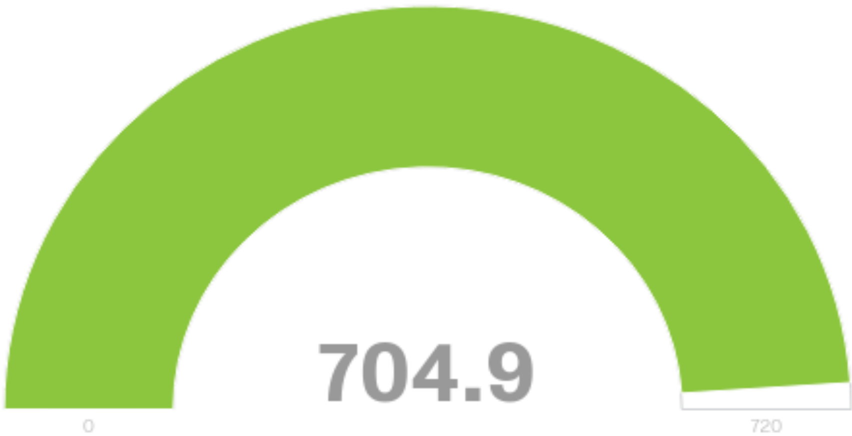
g. *Q8 - How many shops/premises do you have?*

#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	How many shops/premises do you have?	1.00	20.00	4.31	6.00	36.02	51



h. ***Q9 - How many different unique products/ stock keeping units do you maintain?***

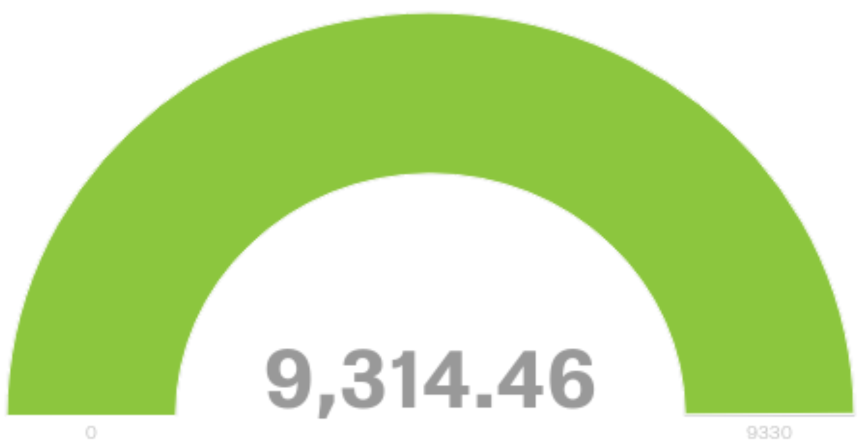
#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	How many different unique products/ stock keeping units do you maintain?	1.00	10000.00	704.90	1627.26	2647972.60	51



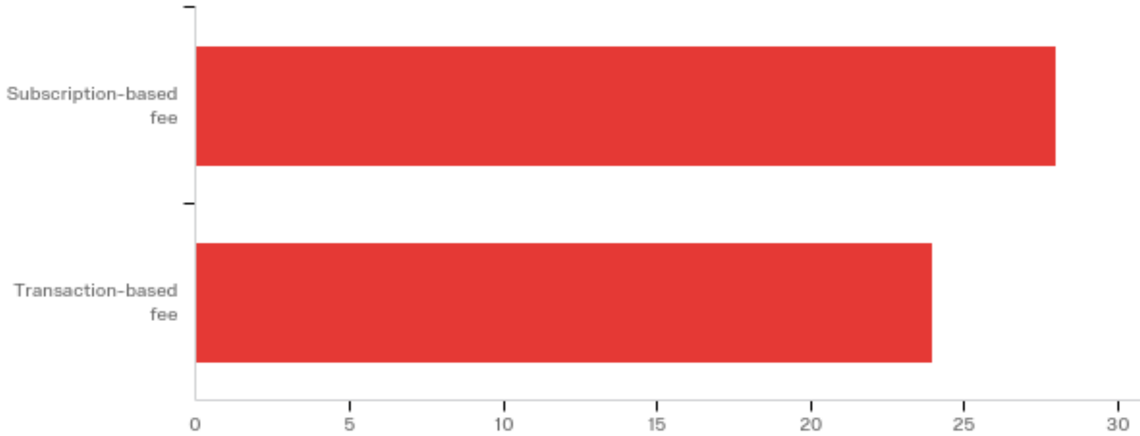
i. ***Q10 - How much do you spend on marketing related activities per month? (website, radio advertising,***

newspapers, outdoor signage, social media and others)

#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	How much do you spend on marketing related activities per month? (website, radio advertising, newspapers, outdoor signage, social media and others)	2.00	100000.00	9314.46	19721.14	388923546.71	52



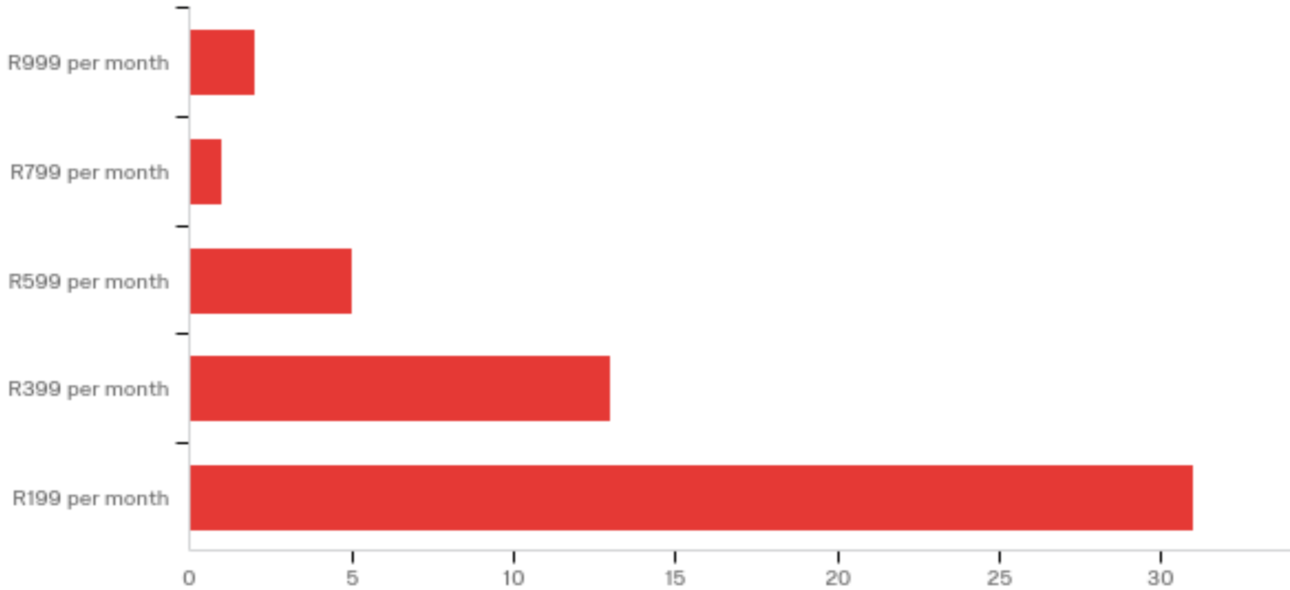
j. ***Q11 - Would you prefer to pay a monthly subscription fee or transaction-based fee to subscribe to the platform?***



#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you prefer to pay a monthly subscription fee or transaction-based fee to subscribe to the platform?	1.00	2.00	1.46	0.50	0.25	52

#	Answer	%	Count
1	Subscription-based fee	53.85%	28
2	Transaction-based fee	46.15%	24
	Total	100%	52

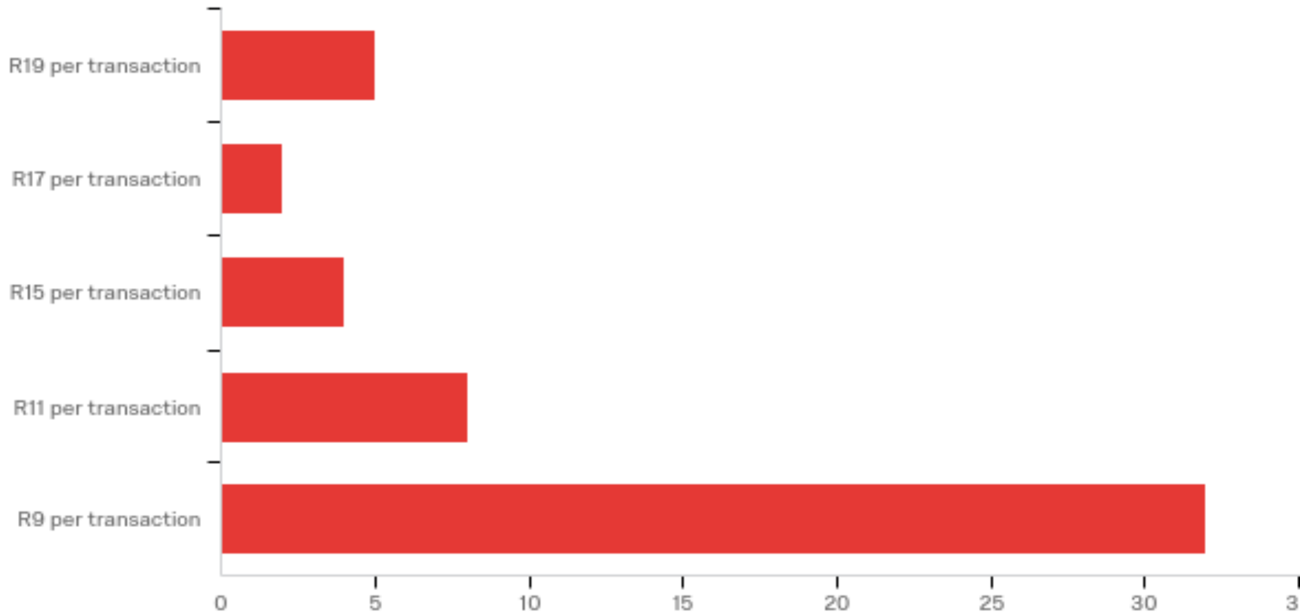
k. ***Q12 - Using a subscription-based model, at what price would this service start to look inexpensive or cheap for your company?***



#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Using a subscription-based model, at what price would this service start to look inexpensive or cheap for your company?	1.00	5.00	4.35	1.00	1.00	52

#	Answer	%	Count
1	R999 per month	3.85%	2
2	R799 per month	1.92%	1
3	R599 per month	9.62%	5
4	R399 per month	25.00%	13
5	R199 per month	59.62%	31
	Total	100%	52

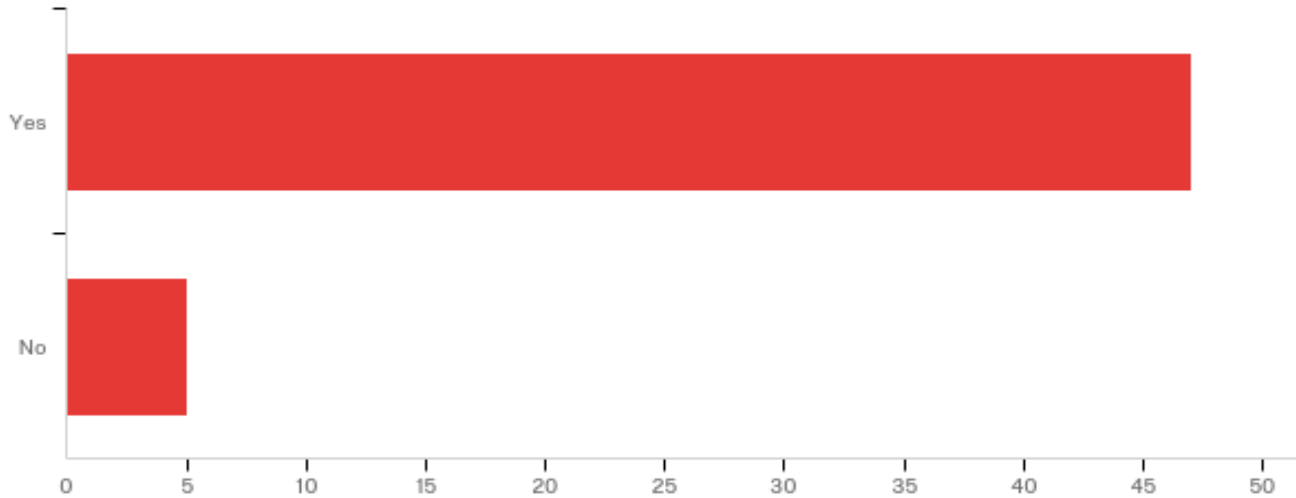
1. ***Q13 - Using a transaction-based model, at what price would this service start to look inexpensive or cheap for your company***



#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Using a transaction-based model, at what price would this service start to look inexpensive or cheap for your company	1.00	5.00	4.18	1.31	1.71	51

#	Answer	%	Count
1	R19 per transaction	9.80%	5
2	R17 per transaction	3.92%	2
3	R15 per transaction	7.84%	4
4	R11 per transaction	15.69%	8
5	R9 per transaction	62.75%	32
	Total	100%	51

m. ***Q14 - Would you like to have a mobile application to manage your advertising, product catalogue, pricing and campaigns?***

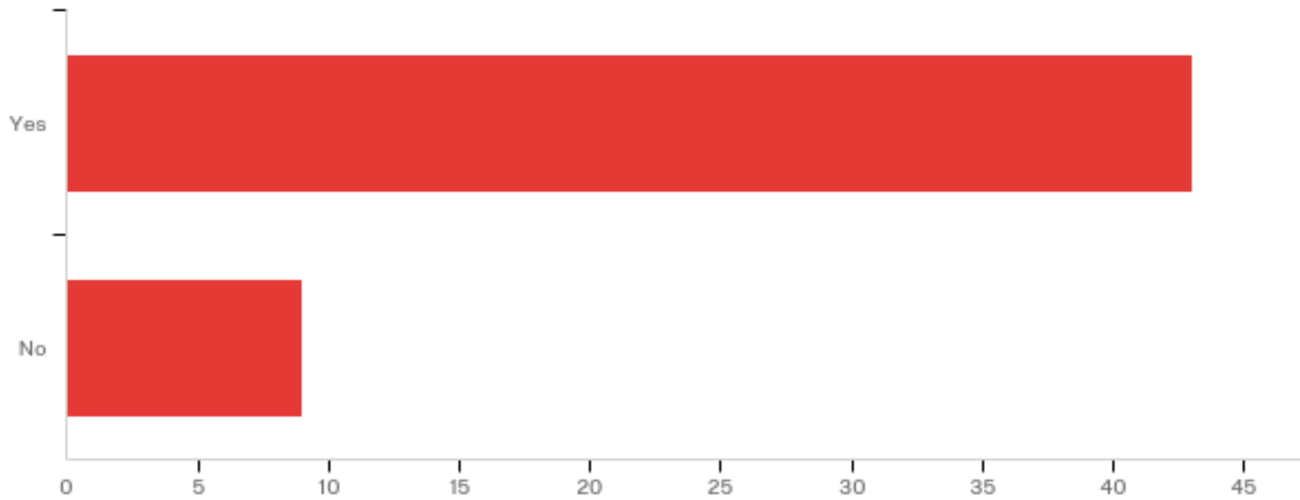


#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you like to have a mobile application to manage your advertising, product catalogue, pricing and campaigns?	1.00	2.00	1.10	0.29	0.09	52

#	Answer	%	Count
1	Yes	90.38%	47

2	No	9.62%	5
	Total	100%	52

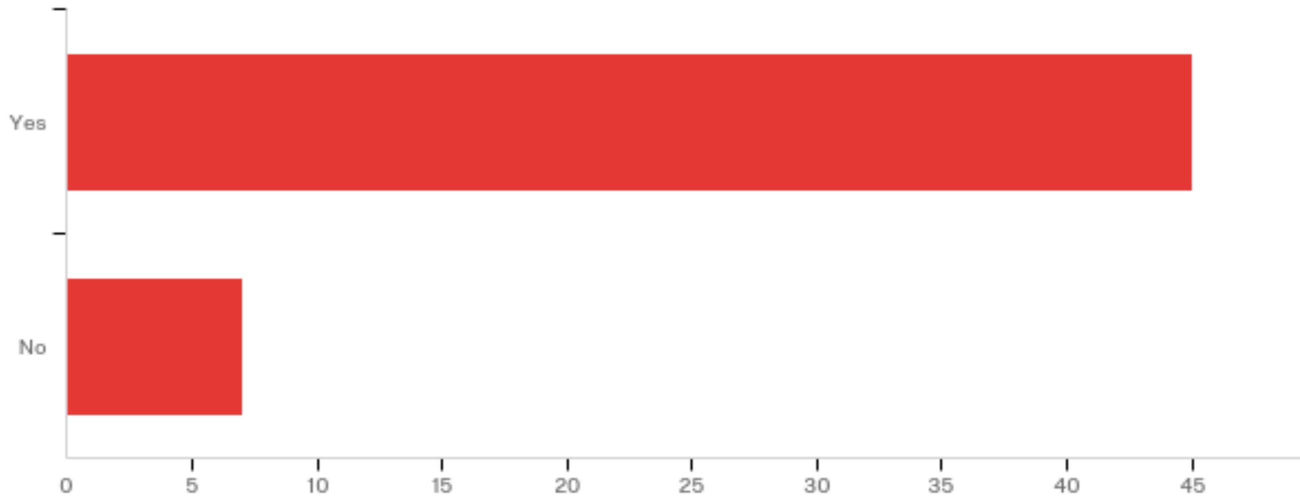
n. ***Q15 - Would you pay to know the social media content of your customers when they mention your store?***



#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you pay to know the social media content of your customers when they mention your store?	1.00	2.00	1.17	0.38	0.14	52

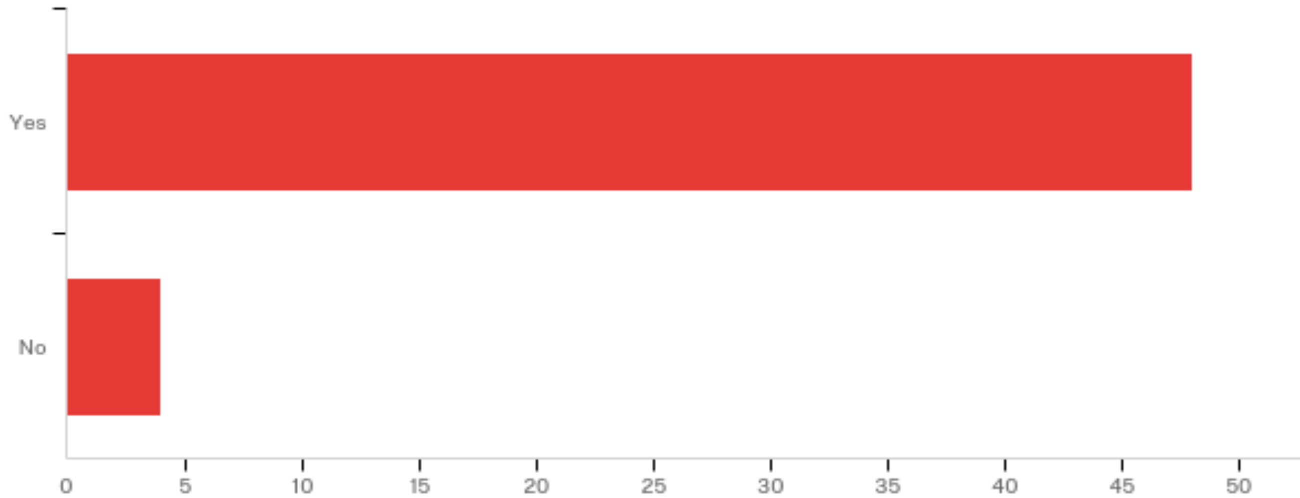
#	Answer	%	Count
1	Yes	82.69%	43
2	No	17.31%	9
	Total	100%	52

o. ***Q16 - Would you like to receive online chat dialog from customers interested in your products?***



#	Answer	%	Count
1	Yes	86.54%	45
2	No	13.46%	7
	Total	100%	52

p. ***Q17 - Would you consider managing a hybrid inventory between physical stock in store and available for online sales?***

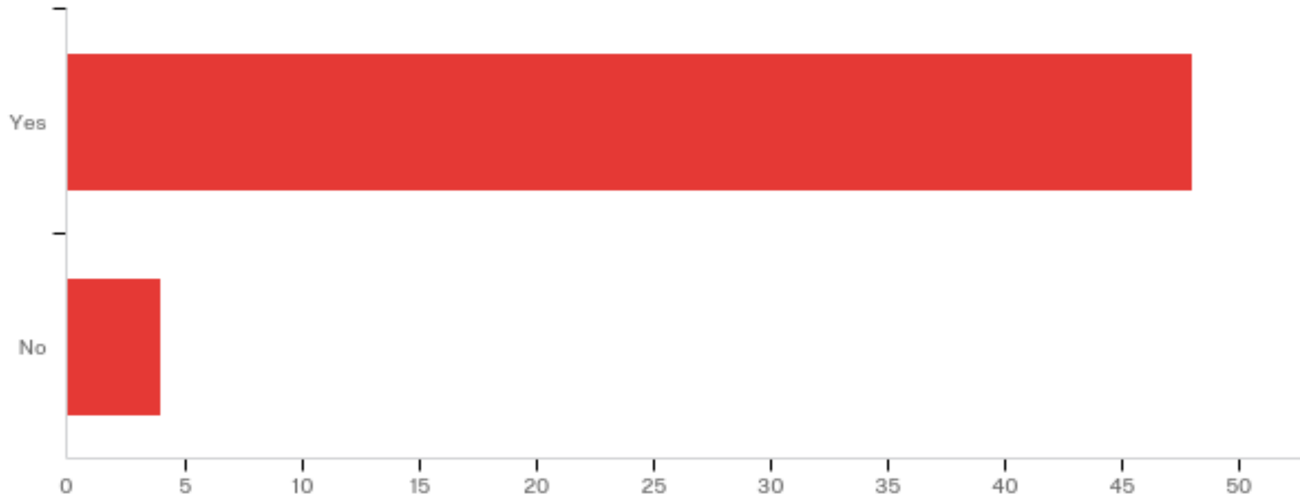


#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you consider managing a hybrid inventory between physical stock in store and available for online sales?	1.00	2.00	1.08	0.27	0.07	52

#	Answer	%	Count
1	Yes	92.31%	48

2	No	7.69%	4
	Total	100%	52

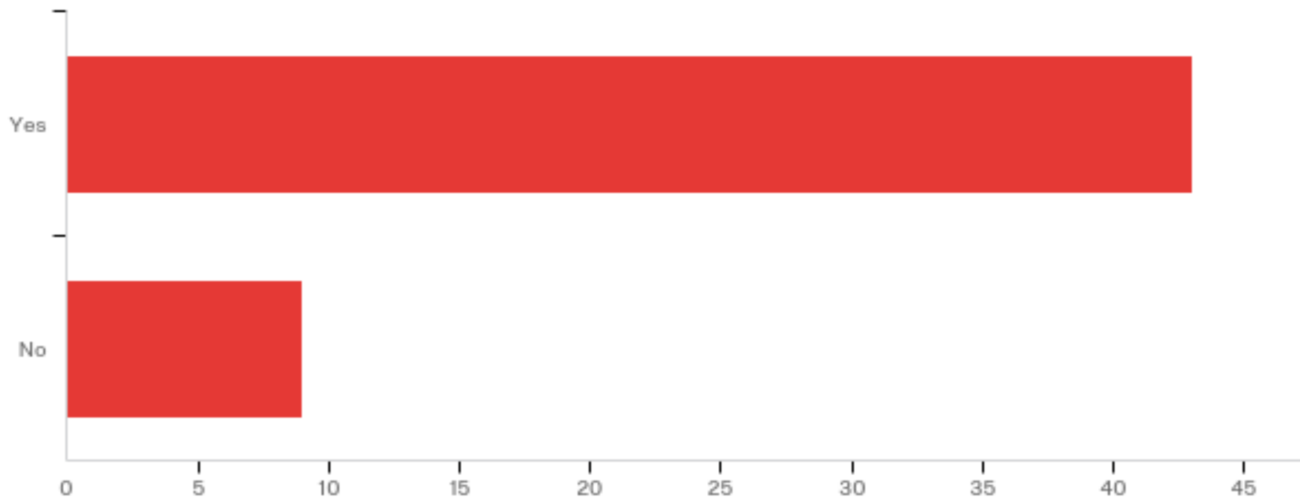
q. ***Q18 - Would you like to have the shopping experience of your customers evaluated/commented by them on the platform?***



#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you like to have the shopping experience of your customers evaluated/commented by them on the platform?	1.00	2.00	1.08	0.27	0.07	52

#	Answer	%	Count
1	Yes	92.31%	48
2	No	7.69%	4
	Total	100%	52

r. ***Q19 - Would you like to know which customer segments are in your vicinity at a specific point in time?***

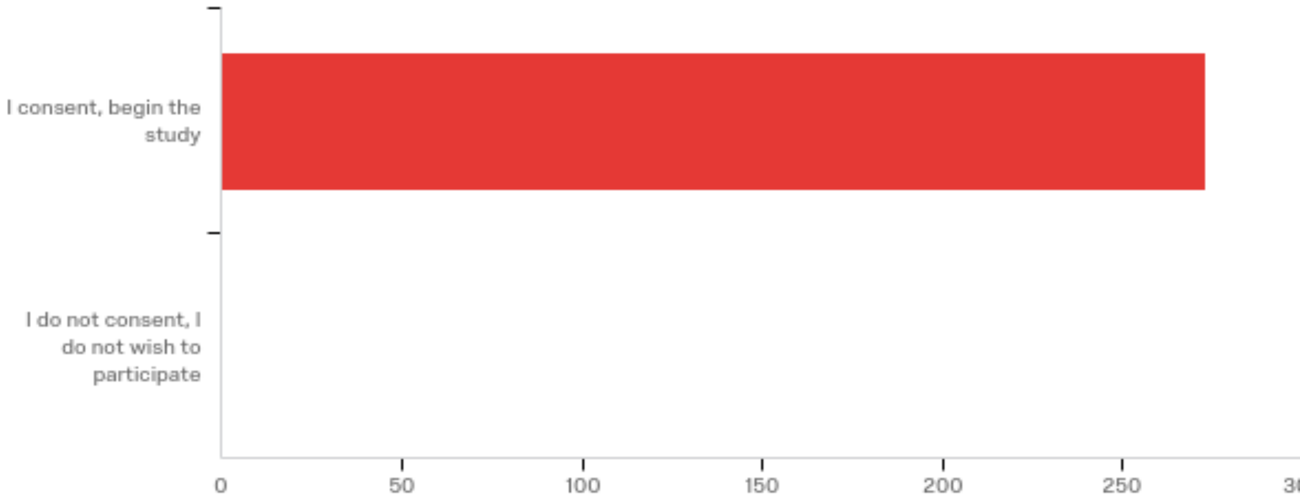


#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you like to know which customer segments are in your vicinity at a specific point in time?	1.00	2.00	1.17	0.38	0.14	52

#	Answer	%	Count
1	Yes	82.69%	43
2	No	17.31%	9
	Total	100%	52

7.2.2 *Questionnaire for Consumers*

s. ***Q1 - Welcome to the research study! We are interested in understanding "Investing in a digital marketplace”.***

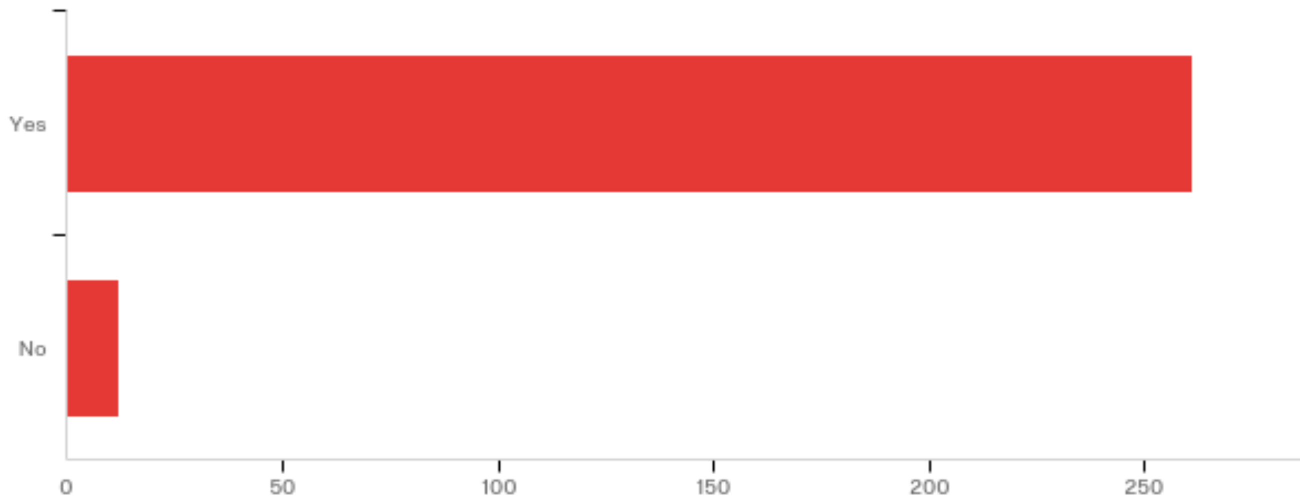


#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Welcome to the research study! We are interested in understanding Investing in a digital marketplace”.	1.00	1.00	1.00	0.00	0.00	273

#	Answer	%	Count
2	I do not consent, I do not wish to participate	0.00%	0

1	I consent, begin the study	100.00%	273
	Total	100%	273

t. ***Q3 - Would you be willing to join a platform that would allow you to search, review, reserve and purchase products from local retailers using a mobile application?***

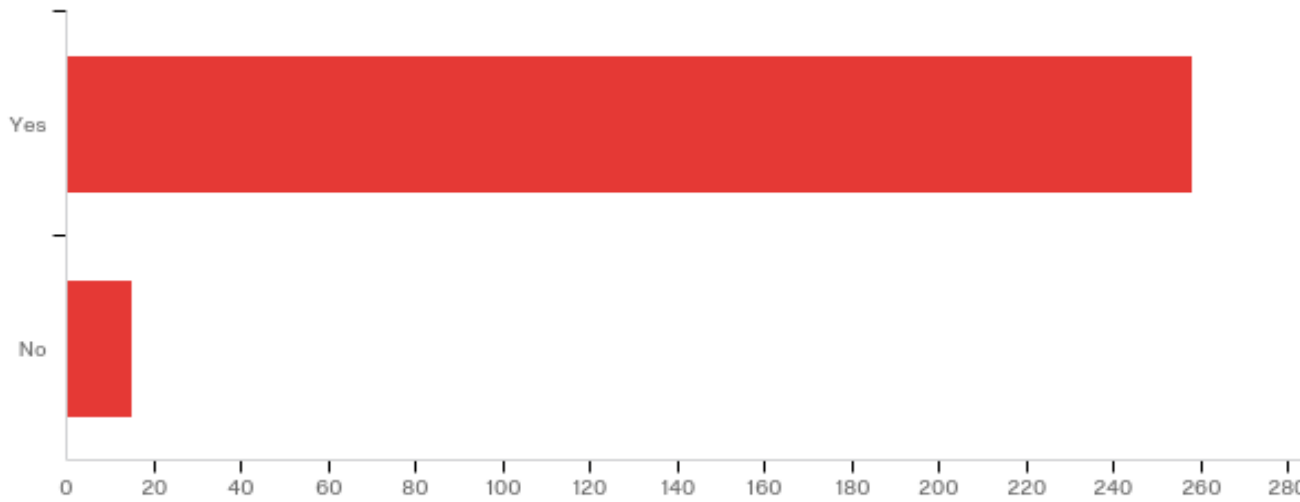


#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you be willing to join a platform that would allow you to search, review, reserve and purchase products from local retailers	1.00	2.00	1.04	0.20	0.04	273

	using a mobile application?						

#	Answer	%	Count
1	Yes	95.60%	261
2	No	4.40%	12
	Total	100%	273

u. ***Q4 - If this service was free would you register?***

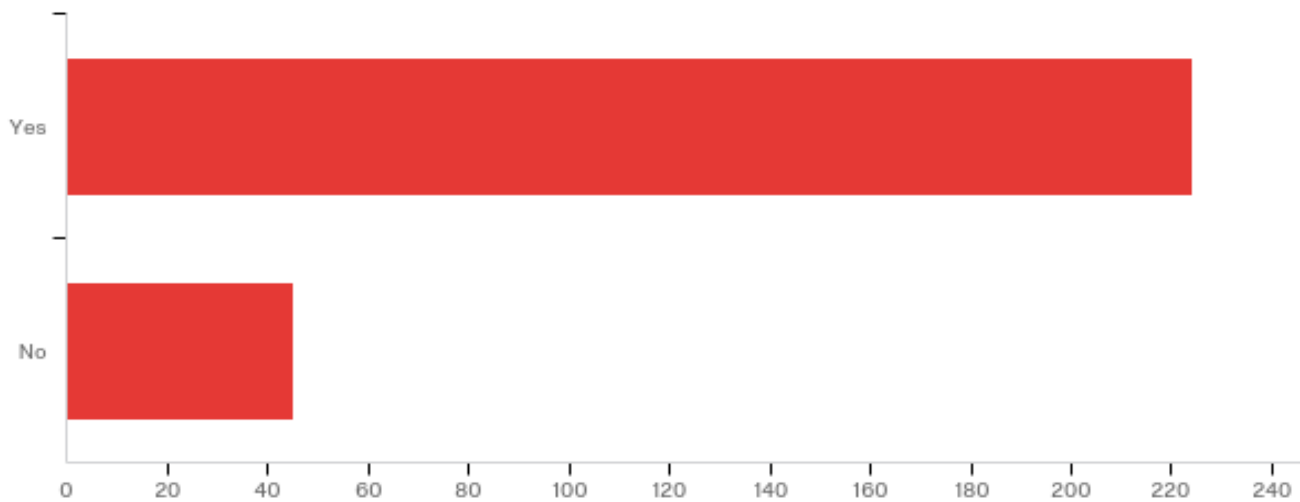


#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	If this service was free would you	1.00	2.00	1.05	0.23	0.05	273

	register?					

#	Answer	%	Count
1	Yes	94.51%	258
2	No	5.49%	15
	Total	100%	273

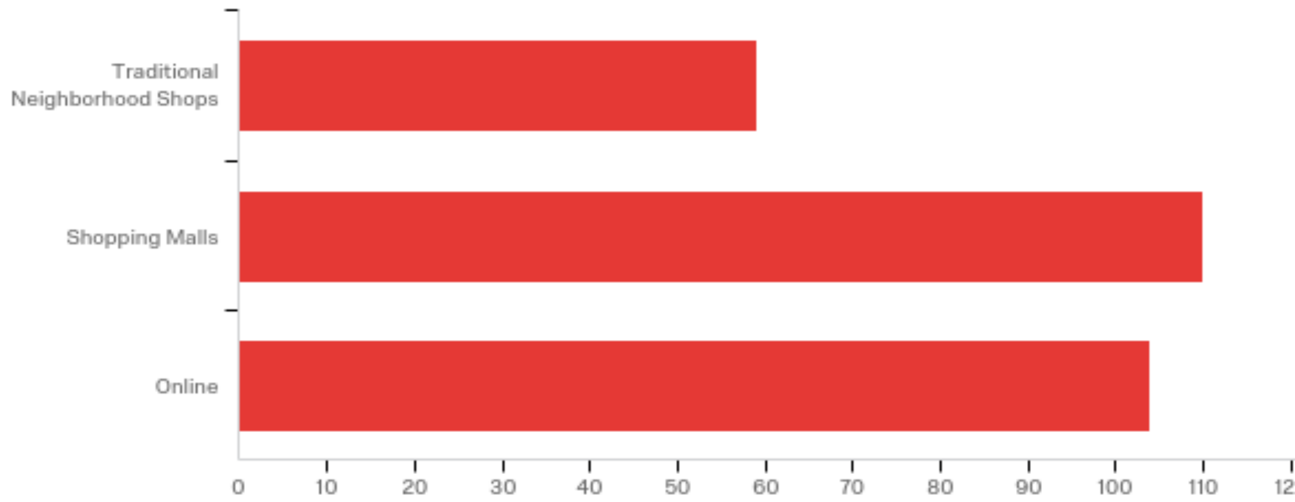
v. ***Q5 - Would you be interested in participating in an early adopter program group of this mobile application with the incentive of an initial voucher?***



#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you be interested in participating in an early adopter program group of this mobile application with the incentive of an initial voucher?	1.00	2.00	1.17	0.37	0.14	269

#	Answer	%	Count
1	Yes	83.27%	224
2	No	16.73%	45
	Total	100%	269

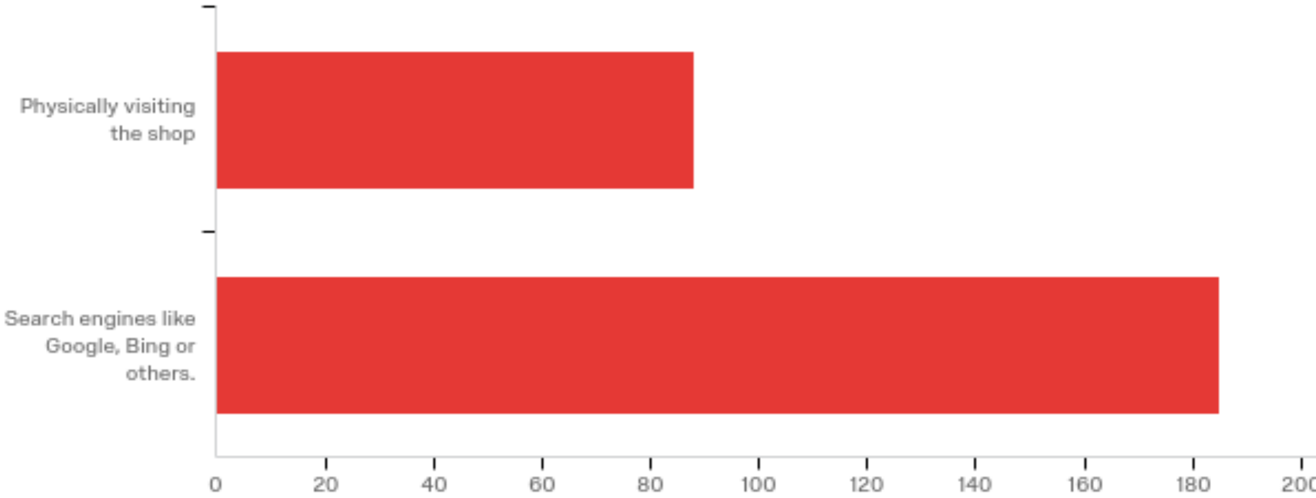
w. ***Q6 - Where do you prefer to shop?***



#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Where do you prefer to shop?	1.00	3.00	2.16	0.75	0.57	273

#	Answer	%	Count
1	Traditional Neighbourhood Shops	21.61%	59
2	Shopping Malls	40.29%	110
3	Online	38.10%	104
	Total	100%	273

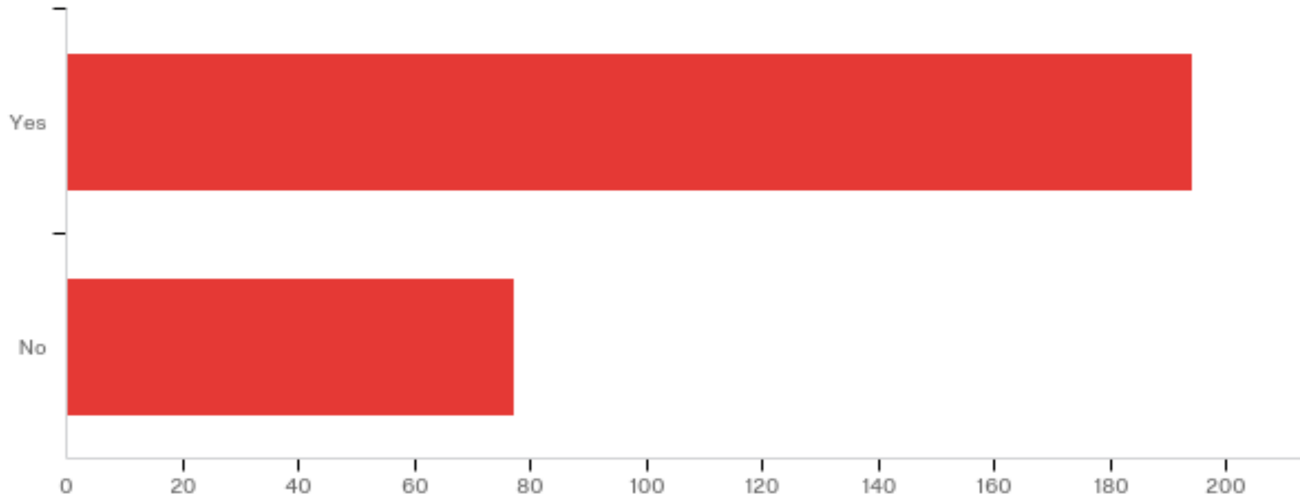
x. ***Q7 - How do you traditionally search for retail purchased products?***



#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	How do you traditionally search for retail purchased products?	1.00	2.00	1.68	0.47	0.22	273

#	Answer	%	Count
1	Physically visiting the shop	32.23%	88
2	Search engines like Google, Bing or others.	67.77%	185
	Total	100%	273

y. ***Q8 - Would you like to chat, using your phone, with a shop representative regarding a product you saw online that is available in their store?***

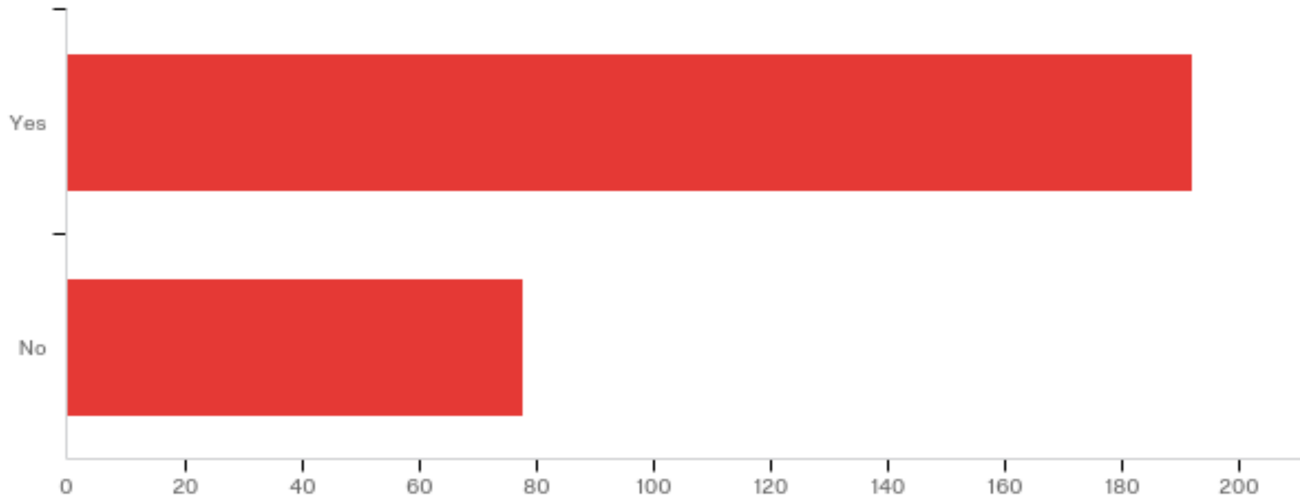


#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you like to chat, using your phone, with a shop representative regarding a product you saw online that is available in their store?	1.00	2.00	1.28	0.45	0.20	271

#	Answer	%	Count
1	Yes	71.59%	194

2	No	28.41%	77
	Total	100%	271

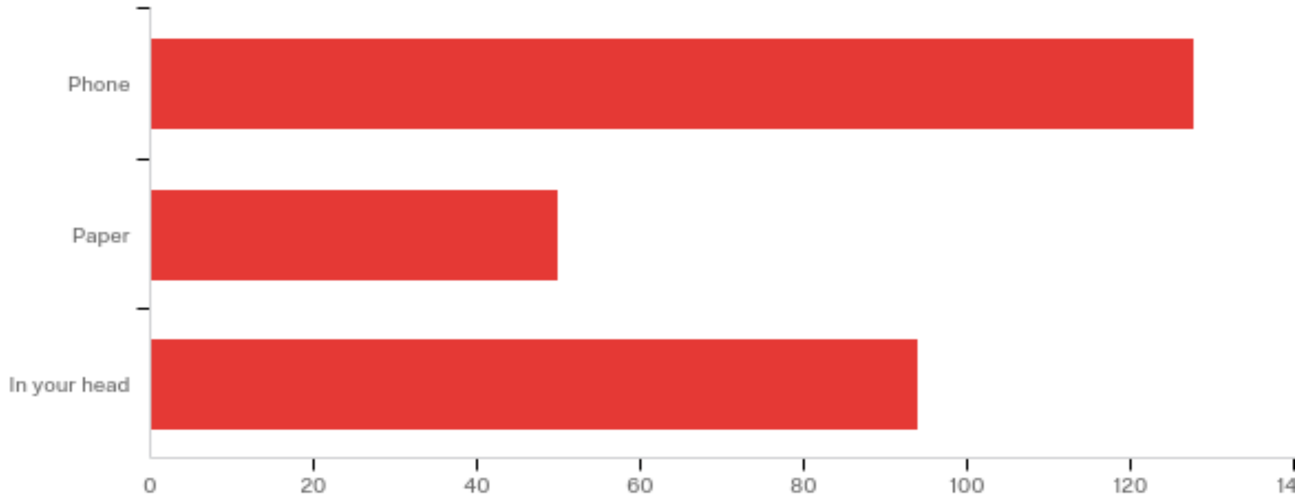
z. ***Q9 - Would you like to be notified of deals or promotions for personal targeted items while walking around a neighbourhood or when in a shopping mall?***



#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you like to be notified of deals or promotions for personal targeted items while walking around a neighbourhood or when in a shopping mall?	1.00	2.00	1.29	0.45	0.21	270

#	Answer	%	Count
1	Yes	71.11%	192
2	No	28.89%	78
	Total	100%	270

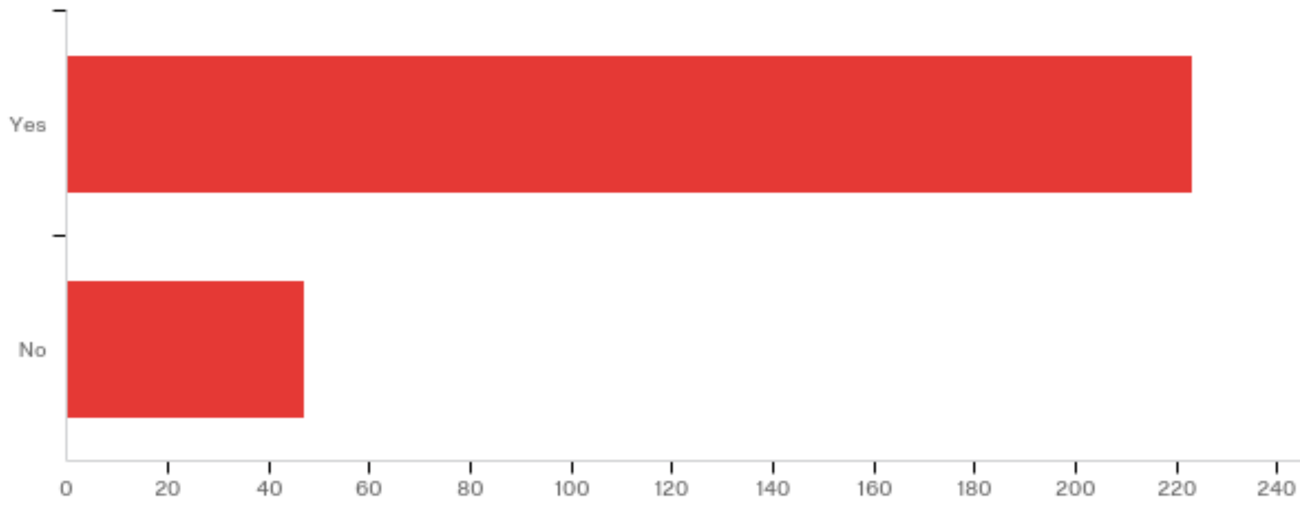
aa. *Q10 - Where do you keep your shopping list?*



#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Where do you keep your shopping list?	1.00	3.00	1.88	0.89	0.80	272

#	Answer	%	Count
1	Phone	47.06%	128
2	Paper	18.38%	50
3	In your head	34.56%	94
	Total	100%	272

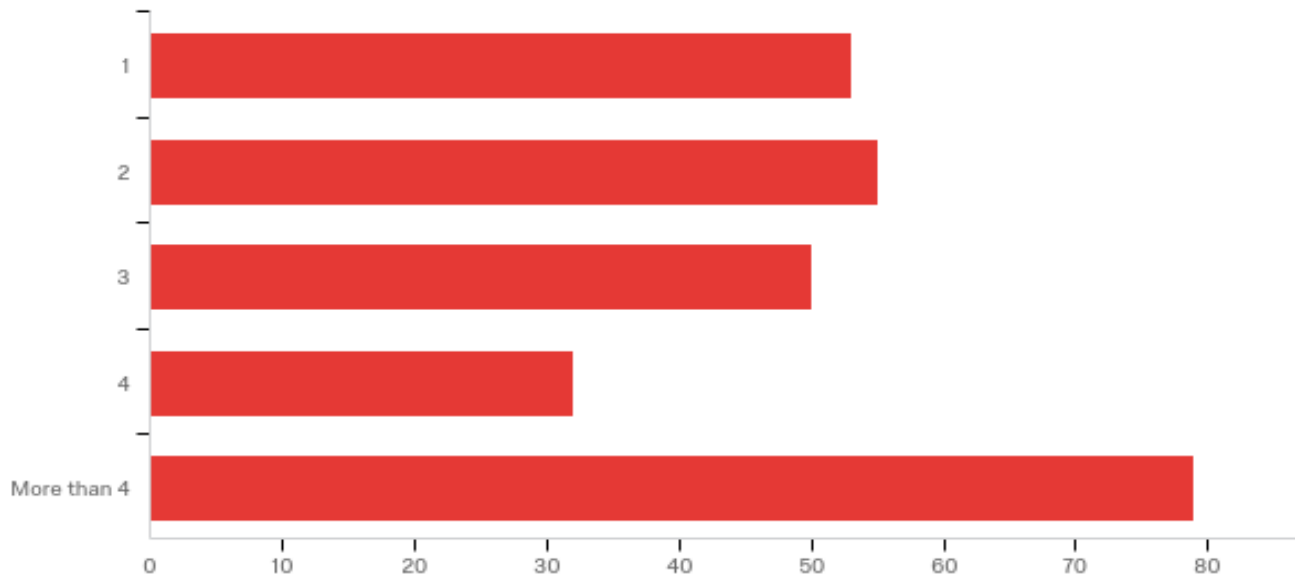
bb. ***Q11 - Would you like to reserve stock in a traditional store for an item you saw online?***



#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you like to reserve stock in a traditional store for an item you saw online?	1.00	2.00	1.17	0.38	0.14	270

#	Answer	%	Count
1	Yes	82.59%	223
2	No	17.41%	47
	Total	100%	270

cc. ***Q12 - How many retail loyalty schemes are you subscribed to?***

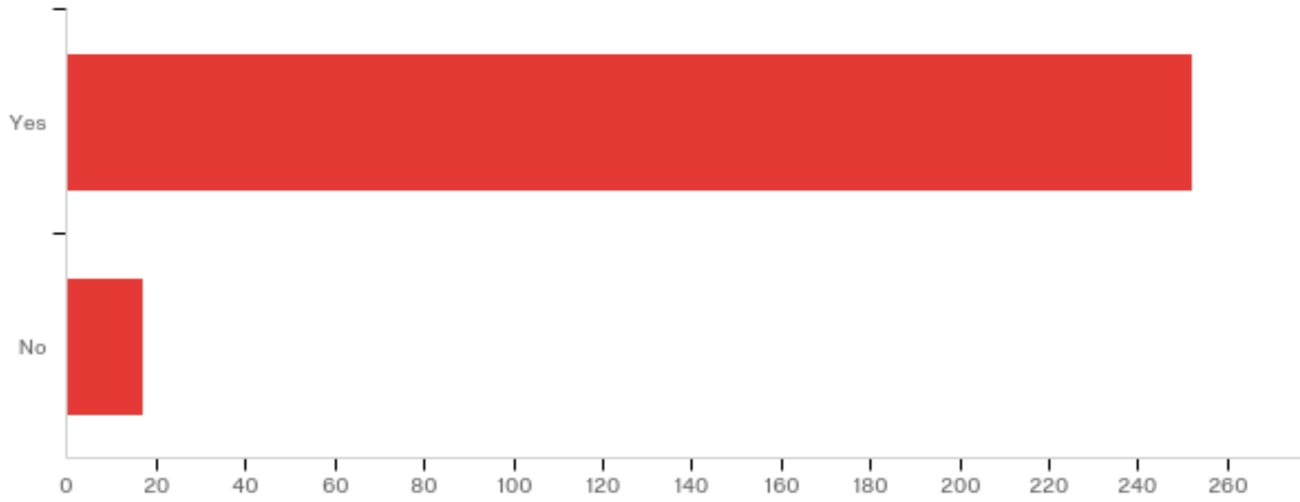


#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	How many retail loyalty schemes are you subscribed to?	1.00	5.00	3.11	1.51	2.27	269

#	Answer	%	Count
1	1	19.70%	53
2	2	20.45%	55

3	3	18.59%	50
4	4	11.90%	32
5	More than 4	29.37%	79
	Total	100%	269

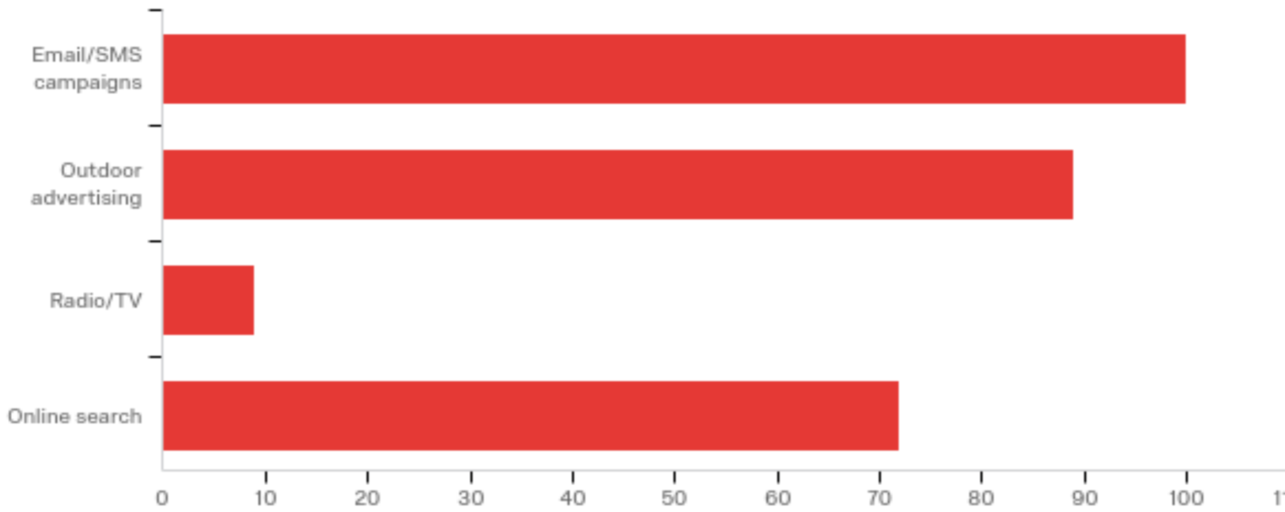
dd. ***Q13 - Would you be willing to store all those schemes in a mobile application?***



#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you be willing to store all those schemes in a mobile application?	1.00	2.00	1.06	0.24	0.06	269

#	Answer	%	Count
1	Yes	93.68%	252
2	No	6.32%	17
	Total	100%	269

ee. ***Q14 - When you are in a neighbourhood or shopping mall, how do you know the shops that are running promotions for items that would interest you?***

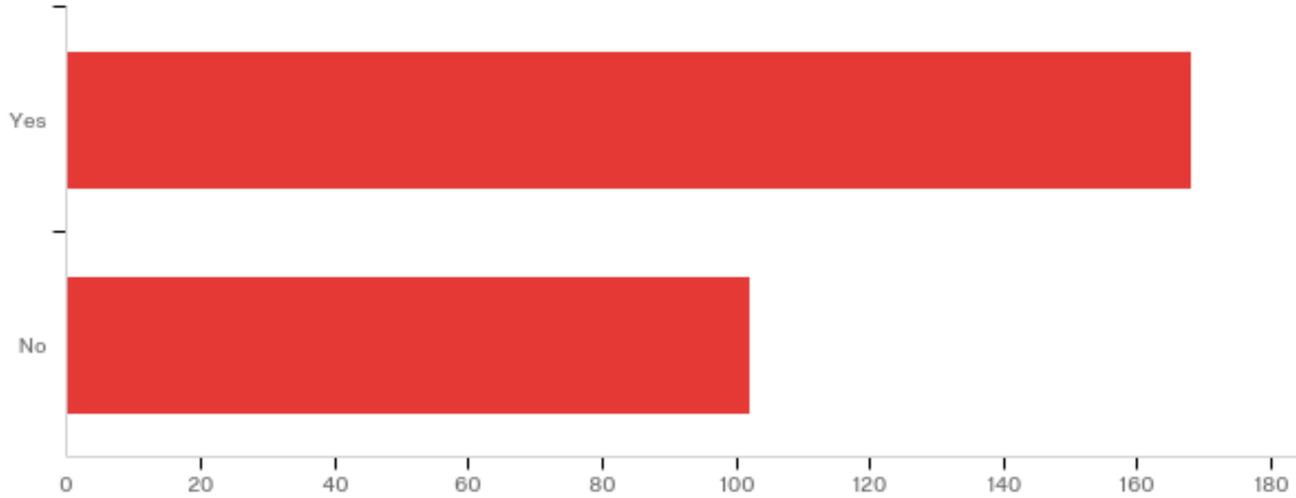


#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	When you are in a neighbourhood or shopping mall, how	1.00	4.00	2.20	1.20	1.43	270

do you know the shops that are running promotions for items that would interest you?						

#	Answer	%	Count
1	Email/SMS campaigns	37.04%	100
2	Outdoor advertising	32.96%	89
3	Radio/TV	3.33%	9
4	Online search	26.67%	72
	Total	100%	270

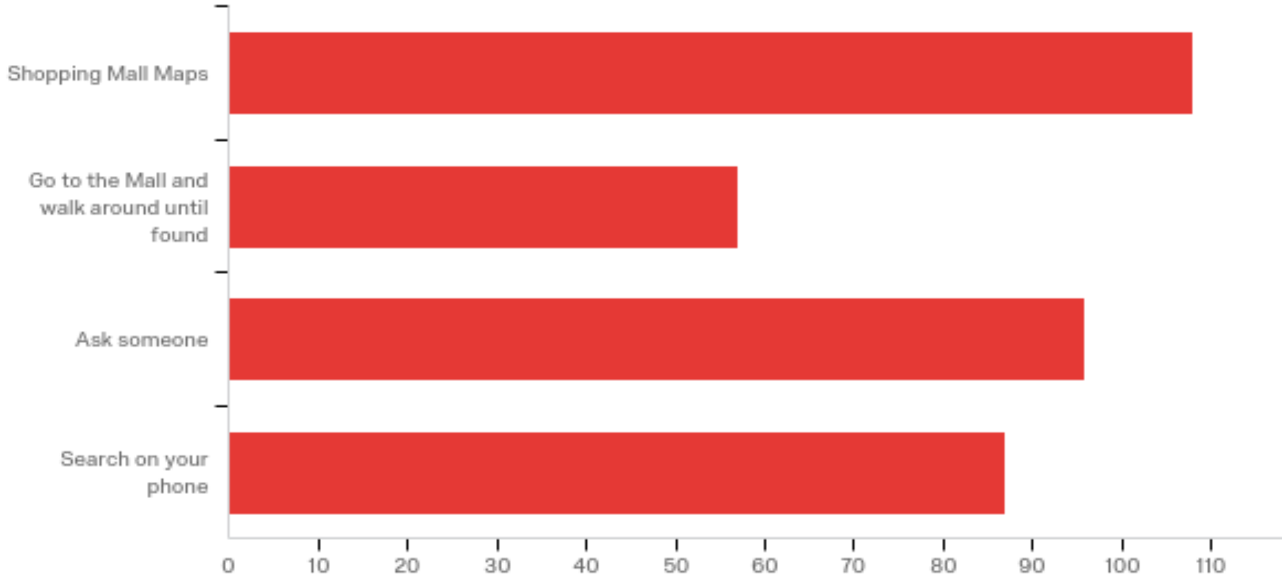
ff. ***Q15 - Would you like to have notifications on your cell phone with those promotions?***



#	Field	Minimum	Maximum	Mean	Std. Deviation	Variance	Count
1	Would you like to have notifications on your cell phone with those promotions?	1.00	2.00	1.38	0.48	0.24	270

#	Answer	%	Count
1	Yes	62.22%	168
2	No	37.78%	102
	Total	100%	270

gg. ***Q16 - How do you find a store in a shopping mall, that you have never visited?***



#	Answer	%	Count
1	Shopping Mall Maps	31.03%	108
2	Go to the Mall and walk around until found	16.38%	57
3	Ask someone	27.59%	96
4	Search on your phone	25.00%	87
	Total	100%	348

7.3 Results discussion

The questionnaire for the retailers and consumers had the objective to support the answer to the following questions.

6.2.3 *How to scale up the marketplace in terms of the number of participant retailers and consumers?*

Regarding the first question the following results can be considered very relevant as all initial impact identified as positive was confirmed by retailers and consumers.

Study question	Agent	Survey question	Answer	Impact on number of marketplace members	Results	Variable influenced
How to scale up the marketplace in terms of the number of participant retailers and consumers?	Retailers	Would you be willing to join a platform that would allow you to advertise, sell and campaign your products to customers using a mobile app?	Yes	↑	**88.46%**	Interest in the platform
			No	↓	11.54%	
		Would you be able to identify customers to join the platform to act as ambassadors of the marketplace?	Yes	↑	**90.38%**	Early adopters
			No	↓	9.62%	
		Would you consider offering an incentive for consumers to join the platform?	Yes	↑	**84.62%**	Incentives
			No	↓	15.38%	
		Would you subscribe prior from having customers registered in the marketplace?	Yes	↑	**69.23%**	Early adopters
			No	↓	30.77%	
		Would you enjoy a grace period in terms of subscription fees to join the platform?	Yes	↑	**88.46%**	Incentives
			No	↓	11.54%	
	Consumers	Would you be willing to join a platform that would allow you to search, review, reserve, purchase products from local retailers using a mobile app?	Yes	↑	**95.60%**	Interest in the platform
			No	↓	4.40%	
		If I tell you that this service is free would you register now?	Yes	↑	**94.51%**	Incentives
			No	↓	5.49%	
		Would you be interested in participating in an early adopter group of this mobile app with the incentive of an initial voucher?	Yes	↑	**83.27%**	Early adopters
			No	↓	16.73%	

Table 24 - Consolidated results for question 1

The **interest in the platform** was considered relevant by 88.46% of the retailers and 95.60% of the consumers interviewed regarding the answers to the question "Would you be willing to join a platform that would allow you to search, review, reserve, purchase products from local retailers using a mobile app?". These results are very expressive of the need by both participants in the 2-way platform that Bethenga represents.

The variable on early adoption was clearly supported by the answers to the question "Would you be able to identify customers to join the platform to act as ambassadors of the marketplace?" with 90.38% of the retailers expressing a positive interest and to the question “Would you be interested in participating in an early adopter group of this mobile app with the incentive of an initial voucher?” with a 83.27% of the consumers answering with a “Yes”. Another question with not so expressive results was the “Would you subscribe prior from having customers registered in the marketplace?” where 69.23% of the retailers answered positively but this demonstrates the dilemma of 2-way platforms that require both participants to join the platform to increase the incentive for joining of new members by the size of the population in both sides.

The incentives variable also revealed very high positive results with 84.62% of the retailers answering positively the question “Would you consider offering an incentive for consumers to join the platform?”, with 88.46% of the retailers answering with a “Yes” to the question “Would you enjoy a grace period in terms of subscription fees to join the platform?” and to the question “If I tell you that this service is free would you register now?” where consumers answered with a very high percentage of “Yes” at 94.51%. clearly justifying Bethenga to be launched without any costs to the consumers.

6.2.1 *What is the pricing model for the marketplace?*

Regarding the second answer the following results can be considered normal especially around the pricing whereby retailers would have the lowest expectation in terms of cost for the service. The data was used to draw different pricing tiers to allow for different levels of participation in the marketplace.

Study question	Agent	Survey question	Answer	Impact on pricing	Results	Variable influenced
What is the pricing model for the marketplace?	Retailers	How many shops do you have?	Numeric value	Numeric value	4.31	Pricing Model
		How many different products do you have in stock?	No	Numeric value	704.9	
		How much do you spend in marketing per month?	Yes	Currency value	R9,314.46	
		Would you prefer to pay a monthly subscription fee or transaction-based fee to subscribe to the platform?	Yes	Subscription-based fee Transaction-based fee	53.85% 46.15%	
		Under the subscription-based model: At what price would this service start to look inexpensive or cheap for your company?	No	R999 per month R799 per month R599 per month R399 per month R199 per month	3.85% 1.92% 9.62% 25.00% **59.62%**	
		Under the transaction-based model: At what price would this service start to look inexpensive or cheap for your company?	Yes	R19 per transaction R17 per transaction R15 per transaction R11 per transaction R9 per transaction	9.80% 3.92% 7.84% 15.69% **62.75%**	

Table 25 - Consolidated results for question 2

The pricing results on the questionnaires were also used to influence the pricing model assumed for the financial simulations done for the viability of the business venture.

CHAPTER 8: CONCLUSION

This section presents a conclusion on the feasibility of the business venture in case an investor would be interested in the business model. **Bethenga** is definitely viable as a business. The market research indicates a clear interest in this type of business based on a 2-way platform where retailers and consumers would come together in a marketplace with different interests that would sustain the business model. The execution of this business venture will depend on how fast members would have enough incentives to join the marketplace to justify the platform.

On the other side, the projected financials indicate the business would reach a break-even in year 2 and considerably achieve profits in year 3. This once again is based on the key assumptions made in the financial simulation and is fully dependent on the members that will join the platform on both sides.

This paper defined the business venture and based on literature research addressed the possible issues regarding this type of businesses based on 2-way platforms, the surveys performed supported the idea as feasible on both retailers and consumers sides and provided insights relevant for the design of the business especially around the pricing model that would sustain the business venture growth.

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APPENDIX A – PLAGIARISM DECLARATION

Student details	
Student Number: **1784155**	Student Name: **João Pedro Gonçalves Ferreira**
Email address: **76.joao@gmail.com**	

Assignment details	
Course Code: **BUSA 7415A**	Course Name: **Business Venture Proposal Project**
Assignment no. (**1**)	Due date: **15 September 2018**
Assignment topic: **PROJECT**	
Student Declaration	

I am aware that plagiarism (the use of someone else's work without their permission and/or without adequately acknowledging the original source) is wrong and is a violation of both the General Rules for Student Conduct and the Plagiarism Policy of the University of the Witwatersrand.

I am aware that it is wrong and is a violation of both the General Rules for Student Conduct and the rules of the Wits Business School for a student to submit for a course, unit, or programme of study, without the written approval of the course instructor or the programme director, all or a substantial portion of any work for which credit has previously been obtained by the student or which has been or is being submitted by the student in another course, unit, or programme of study in the University or elsewhere.

I confirm that this assignment my own unaided work except where I have explicitly indicated otherwise.

I confirm that this assignment has not been nor will be submitted in whole or in substantial part in another course, unit, or programme of study in the University or elsewhere without the written approval of the course or unit instructor or the programme coordinator.

I confirm that I have followed the required conventions in referencing the words and ideas of others in this assignment.

I confirm that I understand that this assignment may at any time be submitted to an electronic

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Student Signature:	Date: 31 January 2019